

INTRODUCTION

1. This Report on the audit of the Accounts of the Government of the Republic of Zambia for the financial year ended 31st December 2003 is submitted to the President for tabling in the National Assembly in accordance with the provisions of Article 121(4) of the Constitution of Zambia.
2. In compliance with the provisions of the Finance (Control and Management) Act, Cap 347 of the Laws of Zambia, each Appropriation Account as reflected in the Financial Report for the financial year ended 31st December 2003 was certified and subject to the observations contained in this Report, the moneys expended were applied for the purposes for which they were appropriated by Parliament and the expenditure conformed to the authority that governed it.

CO-OPERATION WITH OFFICE OF THE AUDITOR GENERAL OF NORWAY

3. The cooperation activity between the Office of the Auditor General of Zambia and the Office of the Auditor General of Norway has remained sound since the signing of a Cooperation Agreement in May 2003 between the two Supreme Audit Institutions. In 2004 the two Supreme Audit Institutions developed Code of Ethics and Auditing Standards. The two Supreme Audit Institutions also embarked on the development of the Audit Manual and Guidelines for use by the Office of the Auditor General of Zambia as part of the cooperation activity between the two institutions. The development of these documents and the standardised working papers that were developed in 2003 are aimed at re-engineering the operations of the Office of the Auditor General of Zambia in order to meet the expectations of all the stakeholders and to conform to the requirements of International Auditing Standards.

INSTITUTIONAL DEVELOPMENT

4. The World Bank continued to support the office through the Public Sector Capacity Building Project (PSCAP). In this regard, the remaining rehabilitation works at Head Office, Lusaka, Kabwe, Ndola and Livingstone Regional Audit Offices and construction of the Training Centre under this programme were completed in 2004. The office also received telephone equipment for use at Head Office and in the four Regional Audit Offices. However, construction works for the new Provincial Offices have been deferred to 2005 and will be carried out under the Public Expenditure Management and Financial Accountability Programme (PEMFA). Under the Restructuring and Institutional Development Project (RIDP II) financed by the Norwegian and Netherlands Governments, capacity building has continued and officers have attended various training programmes. In

addition, the Office purchased seventeen (17) laptop computers and received five (5) donated laptop computers from the Office of the Auditor General of Norway. These developments are impacting positively on the operations of the Office in that the office is now able to produce its reports timely. The Office is also able to make visual presentations in its reports.

SCOPE AND AUDIT METHODOLOGY

5. This Report is as a result of reviews, programmes of test checks, inspections and examination of accounting, stores, project and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance regarding financial management in the Government and to enable me express an opinion on the financial statements for the year. They were also intended to provide information that would assist Parliament in its oversight responsibilities over the application of resources and execution of programmes by the Executive.
6. Accordingly, the programmes were designed to highlight areas of weaknesses to facilitate formulation of recommendations by Parliament for remedial action by the Executive.
7. In the course of preparing this Report, each Controlling Officer was sent appropriate draft paragraphs for comments and confirmation of the correctness of the facts presented. Where the comments varied with the facts presented and were proved to be valid, the affected draft paragraphs were amended accordingly.

LIMITATION IN SCOPE

8. The execution of the audit programmes was limited by factors outside the control of the Office of the Auditor General. The main limiting factors were:

(a) **Funding**

In paragraph 9(a) of the Report of the Auditor General for the financial year ended 31st December 2002 and in previous reports, mention was made on the inadequate funding to the office. In order to effectively undertake its planned activities for the year, the Office proposed a budget of K11,133,726,239 including an amount of K3,023,512,000 in respect of donor funding for the year 2004. This was however reduced to K8,496,041,241 made up of K3,023,512,000 donor funding for the Institutional Development Project, K3,000,812,312 for Personal Emoluments and K2,471,716,929 for office operations (Recurrent Departmental Charges) in the

Appropriation Act. Out of the K5,472,529,241 approved for office operation, the Ministry of Finance and National Planning only released a total amount of K4,273,547,432 as at the time of finalising this report, which was 78 percent of the total authorised provision under Recurrent Departmental Charges.

The meagre funding impacted negatively on the operations of the Office. Consequently, the Office was unable to fully execute its audit plans for the financial year under review.

(b) **Staffing**

In paragraph 9(b) of the Report of the Auditor General on the accounts for the financial year ended 31st December 2002, mention was made of the delay in the restructuring of the Office of the Auditor General. In June 2004, Cabinet finally approved the restructuring of the Office. The Office therefore, managed to fill up twenty six existing vacant posts in December 2004 but no Treasury Authority had been received from the Ministry of Finance and National Planning to fully support the envisaged new structure in 2005. The staffing position of the Office has therefore, not improved much. In an effort to improve its operations, the office has continued to develop and train its existing staff with the support from the Governments of the Kingdoms of Norway and the Netherlands.

Although the Office has now decentralised to all the nine (9) provinces, the offices are still understaffed and in certain cases, there are only two officers manning each Provincial Office. Therefore, the establishment of Provincial Offices will not bring about any meaningful changes unless they are adequately staffed and funded. There is therefore, need for the Ministry of Finance and National Planning to expedite the granting of the Treasury Authority to support the new structure for further recruitments to be made. There is also need to improve funding to the office to enable it effectively contribute to good financial management in the Government.

(c) **Other Logistics**

Since 1997, co-operating partners have been supportive to the Office in that they have given the Office motor vehicles, computers and related accessories, and other office equipment. However, because of the need to strengthen the office, there is still need for continued support.

CONTROL, MANAGEMENT AND ACCOUNTABILITY FOR PUBLIC FUNDS

9. According to the Finance (Control and Management)(Amendment) Act, Cap 347 of the Laws of Zambia, management, supervision, control and direction of all matters relating to the finances of the Republic are vested in the Minister responsible for Finance. In carrying out his functions, the Minister designates senior officers in the Ministries and other public offices as Controlling Officers for each head of expenditure. The responsibilities of the Controlling Officers are, among others, to safeguard resources of the institutions under their portfolios; institute measures or put in place systems that will minimise risks; address weaknesses in the accounting and internal control systems; and to ensure that funds collected are properly accounted for and expenditure incurred is authorised and within the approved limits. It is also the responsibility of the Controlling Officer to prepare and submit financial statements to the Auditor General for audit and certification before inclusion in the Financial Report. The audited Financial Statements are then submitted to the Secretary to the Treasury to enable him/her prepare the annual Financial Report for tabling in the National Assembly by the Minister responsible for Finance in accordance with the provisions of Article 118(1) of the Constitution of Zambia. However, the 2003 annual Financial Report was ready in December 2004 instead of September 2004.

INTERNAL CONTROL

10. In the previous Audit Reports, mention has been made of the ineffective internal control systems obtaining in Ministries and Departments. The Public Accounts Committees have also called upon the Ministry of Finance and National Planning to improve the internal control mechanisms in the Government. In this regard, the Ministry of Finance and National Planning assured the Public Accounts Committee that measures were being taken to redress the situation especially following the restructuring of many government ministries and departments. However, in spite of the assurances made, it has been observed that cases of misappropriations, lack of reconciliations of bank accounts and unretired imprests, losses of stores, awarding of contracts without evaluating the capabilities of contractors are still prevalent as reflected in this Report.
11. In the course of audit, it was also observed that there were delays in the banking of revenue collection, and in some cases, where revenue was banked; there was no evidence that the moneys were credited to Control 99 at the Bank of Zambia and captured by the Ministry of Finance and National Planning. Similarly, huge sums of money may have been spent without being

captured in the Financial Report. There is therefore need for the Ministry of Finance and National Planning to also strengthen the Internal Controls especially in the restructured Ministries and Departments. There is also need for Internal Debt Management Unit under the Ministry of Finance and National Planning and the Bank of Zambia to reconcile data so that correct figures/information is captured in the Financial Report.

OUT-TURN AND APPROPRIATION ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2003

12. According to the provisions of Article 118 (2) of the Constitution, the Financial Report should include, inter-alia a balance sheet showing the financial position of the Government as at the end of each financial year, appropriation accounts and a statement of revenue and other moneys received by the Government during the year.

The Out-turn for the year reflected in statement ‘A’ of the Financial Report for the year ended 31st December 2003, is analysed below:

Expenditure as reflected in Statement A1.2	
	<u>K</u>
Original	6,937,565,059,486
Supplementary	<u>861,632,040,268</u>
Total authorised Provision	7,799,197,099,754
Actual Expenditure	<u>4,755,054,232,934</u>
Net Under Expenditure	<u><u>3,044,142,866,820</u></u>

The Net under expenditure of K3,044,142,866,820 is explained as follows:

	<u>K</u>
Under Expenditure on Head 99	226,764,429,318
Add:	
Under Expenditure from other functions	<u>2,885,686,482,070</u>
	3,112,450,911,388
Less:	
Excess Expenditure	<u>68,308,044,568</u>
Net Under Expenditure	<u><u>3,044,142,866,820</u></u>

Revenue as reflected in statement A1.1

	<u>K</u>	<u>K</u>
Actual Revenue	4,810,863,165,775	
Revenue Estimates	<u>4,133,617,003,378</u>	
Surplus in Revenue collections	677,246,162,397	
Actual Revenue	4,810,863,165,775	
Actual Expenditure	<u>4,755,054,232,934</u>	
Gross Surplus	55,808,932,841	
FINANCING: (Statement A1.3)		
Gross Surplus		55,808,932,841
Internal Borrowing	5,530,729,900	
External Borrowing	436,993,932,277	
Exceptional Revenue	<u>101,696,954,667</u>	
Net Surplus		<u>544,221,616,844</u> 600,030,549,685

The net surplus of K600,030,549,685 for the year under review is explained below:

	<u>K</u>	<u>K</u>
Assets:		
Increase in cash	812,221,121,419	
Imprest	57,206,187,464	
Advances	21,573,184,571	
Loan Revolving Fund	40,306,820,997	
Contingency Revolving Fund	- 6,000,000,000	
Special Deposit	<u>- 25,495,840</u>	
		925,281,818,611
Liabilities:		
Decrease in short term borrowing	151,731,425,800	
Decrease in Deposit	<u>924,107,194,053</u>	
		<u>1,075,838,619,853</u>
		2,001,120,438,464
Unreconciled balance as explained in the Public Accounts Report of 30 Jan 2004		- 1,401,089,888,779
Net Surplus		<u>600,030,549,685</u>

ANALYSIS OF SURPLUS/SHORTFALL IN REVENUE

13. An analysis of statement A1.1 of the Financial Report for the financial year under review revealed that the actual revenue collected exceeded the estimated amount by K677,246,162,397 as detailed below:

HEAD	DESCRIPTION	APPROVED ESTIMATE K	ACTUAL REVENUE K	OVERTHE ESTIMATE K	SHORTFALL K
201	Income Tax (other than Mineral Tax)	1,613,171,636,042	1,606,423,559,529		6,748,066,513
202	Customs and Excise	798,588,020,614	806,222,145,409	7,634,124,795	
203	Fines Licences and Taxes	4	30,180,500	30,180,496	
204	Mineral Revenue	8,102,340,000	8,102,340,000		
206	Fees of Court of Office	87,979,281,874	93,770,095,288	5,790,813,414	
207	Value Added Tax	1,034,177,259,998	1,026,857,057,039		7,320,192,959
208	Miscellaneous and Collections	13,279,764,728	13,323,597,228	43,832,500	
209	Interest (Loans and Investments)	11,771,699,301	-		11,771,699,301
211	Capital Repayment	1,308,200,817	-		1,308,200,817
212	Capital Grants	565,238,800,000	1,256,134,170,782	690,895,370,782	
		4,133,617,003,378	4,810,863,165,775	704,394,321,987	27,148,159,590
	Net Surplus				677,246,162,397

As can be seen from the above table, the surplus of K677,246,162,397 is mainly attributable to over collection in the Customs and Excise and Capital Grants. There were two heads of revenue for which no revenue was realised.

It was further noted that, although a shortfall of K6,748,065,513 on direct taxes was recorded in the Financial Report as stated above, records examined at the Zambia Revenue Authority showed a surplus of K145,862,631,000.

REVENUE/FINANCING

- During the year under review, amounts totalling K346,177,915,868 were not realised on twenty five (25) subheads as reflected in statement A1 of the Financial Report for the year ended 31st December 2003. The amount comprised revenue collections amounting to K193,022,734,409 and financing of K153,155,181,459. The revenue was in respect of Income Tax, Customs and Excise, Fines and other taxes, Fees of Court or office, Fees of Court or office Interest (loans and Investment), Capital repayment and Capital grants as detailed below:

A	Revenue Title	Head/ Subhead	Approved Estimates K
	Income Tax	201/013	242,640,322
	Customs & Excise	202/017	14,406,894
		202/023	1,908,541,147
		202/033	1
	Fines Licences & other Taxes	202/002	1
		202/004	1
	Fees of Court of Office	206/166	56,540,700
		206/061	6,352,098
		206/118	2,607,896,674
		206/085	18,113,000
		206/193	29,469,022
		206/189	429,000
		206/194	75,000,000
		206/198	92,833,210
		206/105	3,000,000
		206/145	278,912,221
	Interest (Loans & Investments)	209/054	11,676,945,000
		209/055	94,754,301
	Capital Repayment	211/054	1,308,200,817
	Capital Grants	212/083	19,838,700,000
		212/121	154,770,000,000
	Subtotal		<u>193,022,734,409</u>
	<u>FINANCING</u>		
	External borrowing	215/067	93,800,000,000
		215/134	27,580,312,618
	Exceptional Revenue	216/008	28,131,500,000
		216/009	3,643,368,841
	Subtotal		<u>153,155,181,459</u>
	Grand Total		<u><u>346,177,915,868</u></u>

According to the provisions of the Financial Regulations, revenue may be abandoned only with the approval of the Secretary to the Treasury. An application for this authority must give the sum of the revenue, the date on which it was due and the action taken to collect it. A copy of the application will be forwarded to the Auditor General. It was observed however, that contrary to the above provisions, there was no authority given by the Secretary to the Treasury to abandon the collection of revenue and there was no explanation given in the Financial Report for failure to collect revenue.

Unconstitutional Expenditure

15. A review of Statement "C" of the financial Report for the year under review revealed that expenditure in excess of the provision voted by Parliament in

respect of 17 heads of Expenditure amounted to K68,308,044,568 as detailed below:

Head	TOTAL AUTHORISED EXPENDITURE K	ACTUAL EXPENDITURE K	VARIANCE K
02 Office of the Vice President			
/03 Dept of Resettlement	433,452,565	893,114,456 (	459,661,891)
/04 Parliamentary Business	442,625,824	1,186,911,873 (	744,286,049)
03 National Assembly	80,103,629,489	124,708,876,243 (	44,605,246,754)
06 Public Services Commission	1,260,449,757	1,602,847,750 (	342,397,993)
08 Cabinet Office			
/03 Common Service Unit	640,777,459	705,039,616 (	64,262,157)
11 Zambia Police - MoHA			(-)
/01 Headquarters	42,404,791,362	45,716,358,024 (	3,311,566,662)
/15 Luapula Province	2,157,283,857	2,257,280,581 (	99,996,724)
18 Judiciary			
/02 Supreme Court	589,184,399	650,632,809 (	61,448,410)
/03 High Court	1,272,622,807	1,519,294,552 (	246,671,745)
/04 Subordinate Courts	1,071,670,986	1,263,978,183 (	192,307,197)
/05 Local Courts	10,628,924,689	10,676,259,475 (	47,334,786)
/08 Industrial Relations	867,839,311	891,083,528 (	23,244,217)
51 Ministry of Communications			
/06 Road Traffic commission	3,903,471,164	4,504,866,813 (	601,395,649)
77 Ministry of Defence			
/04 Zambia National Service	45,965,910,253	57,968,185,116 (	12,002,274,863)
/06 Dept of Defence	2,011,480,349	2,208,523,411 (	197,043,062)
89 Ministry of Agriculture			
/02 Dept of Agriculture	5,461,121,332	6,595,959,904 (	1,134,838,572)
/05 Agriculture Research	9,994,269,372	14,168,335,209 (	4,174,065,837)
Total	209,209,504,975	277,517,547,543 (	68,308,042,568)

The excess expenditure of K68,308,044,568 is unconstitutional and will require approval by Parliament as provided for under Article 117(5) of the Republican Constitution.

GENERAL REVENUES

HEADS	:	201	-	INCOME TAXES (OTHER THAN MINERAL TAX)
		202	-	CUSTOMS AND EXCISE
		207	-	VALUE ADDED TAX
SUBHEADS	:		-	VARIOUS

Revenue Collections – Zambia Revenue Authority

16. In paragraph 20 of the Auditor General’s Report for the financial year ended 31st December 2002, mention was made of the failure by the Zambia Revenue Authority (ZRA) to collect tax arrears in respect of Company Tax, Customs Duty, Pay As You Earn (PAYE), Withholding Tax, and Value Added Tax (VAT).

An examination of revenue and other records pertaining to collections at the ZRA headquarters for the financial year ended 31st December 2003 revealed the following:

(a) Tax Revenue Collections

During the financial year under review, the Ministry of Finance and National Planning (MoFNP) gave the ZRA a total profile (target) of K3,445,702,128,000 and a total of K3,549,302,077,208 was collected. The collections were K103,599,949,208 above the profile figure as detailed below:

TAX TYPE	GROSS COLLECTIONS K	REFUNDS K	NET COLLECTIONS K	PROFILE TARGET K	VARIANCE K
Customs & Excise	1,630,711,345,208 -	78,800,000,000	1,551,911,345,208	1,550,987,371,000	923,974,208
Direct Taxes	1,626,705,600,000 -	8,700,000,000	1,618,005,600,000	1,472,142,969,000	145,862,631,000
VAT	1,037,745,132,000 -	658,360,000,000	379,385,132,000	422,571,788,000 -	43,186,656,000
	4,295,162,077,208 -	745,860,000,000	3,549,302,077,208	3,445,702,128,000	103,599,949,208

An analysis of the overall performance revealed that though the ZRA appeared to have recorded an over collection of K103,599,949,208. A further scrutiny of the records revealed the following:

(i) **Unfavourable Variances**

Revenue collections amounting to K1,662,537,700,000 involving six tax types were under collected by K160,172,692,000 when compared to the total approved Government profile of K1,822,710,362,000 as shown below:

TAX TYPE	PROFILE GRZ K	NET COLLECTIONS K	DEFICIT K
Excise Duty	441,494,655,000	382,147,957,000	(59,346,698,000)
Import Duties	451,468,716,000	424,074,188,000	(27,394,528,000)
Company Tax	327,575,750,000	311,324,530,000	(16,251,220,000)
WHT	175,799,453,000	162,126,173,000	(13,673,280,000)
Medical Levy	3,800,000,000	3,479,690,000	(320,310,000)
Domestic VAT	422,571,788,000	379,385,132,000	(43,186,656,000)
	1,822,710,362,000	1,662,537,670,000	(160,172,692,000)

The reasons for the unfavourable variances were attributed to among others diesel shortage, fewer companies making payments and reduced number of companies declaring dividends. It would appear from the above that either the targets given to the ZRA were unrealistic or the ZRA was not making enough effort to collect the above mentioned taxes.

(ii) **Favourable Variances**

It was noted however, that the ZRA reported favourable variances in the following tax types:

TAX TYPE	PROFILE GRZ K	NET COLLECTIONS K	SURPLUS K
Fuel Levy	72,000,000,000	98,217,265,000	26,217,265,000
Import VAT	586,024,000,000	647,471,935,000	61,447,935,000
PAYE	957,930,295,000	1,132,972,867,000	175,042,572,000
Extraction Royalty	7,037,471,000	8,102,340,000	1,064,869,000
	1,622,991,766,000	1,886,764,407,000	263,772,641,000

The favourable variances were as a result of growth in tax revenue and was mainly attributed to among others increase in wages and salaries in the economy, increase in the economic activities in the tourism sector and mining. The increased

activities in these sectors generated demand for inputs that impacted positively on trade taxes.

(b) **Tax Refunds**

According to the ZRA treasury manual, refunds are not supposed to be made to tax payers who have outstanding tax payable to the Government.

A review of records revealed that tax refunds of K745,860,000,000 were made to various companies during the year. Included the amount were amounts of K38,778,425 and K1,274,023,112 paid as refunds to the Zambia National Oil Company which owed the Government K55.5 billion and Indeni Petroleum Refinery which owed K36 billion.

(c) **Arrears of Tax**

An analysis of records pertaining to tax arrears revealed that a total amount of K3,640.4 billion was outstanding as at 31st December 2003 in respect of direct taxes, customs and excise and domestic VAT as compared to K382.85 billion for the year 2002. The tax arrears increased by K3,257.56 billion. Details of the movements in tax arrears by the tax type are as detailed below:

	2003	2002
	<u>K'billion</u>	<u>K'billion</u>
DIRECT TAXES		
Company Tax (non parastatal)	546.56	47.73
Self Employed	72.67	28.95
Employed Individuals	14.21	-
Other Taxes	4.80	-
Back Duty	73.04	22.51
PAYE	136.46	23.76
Mineral Tax	2.03	-
Parastatal Organisations	397.01	42.30
CUSTOMS & EXCISE		
Custom Duty	724.27	89.00
DOMESTIC VAT	<u>1,669.36</u>	<u>128.60</u>
TOTAL	<u>3,640.41</u>	<u>382.85</u>

There is need for the Authority to double its efforts in the collection of revenue. As can be seen from the above table, domestic VAT arrears increased from K128.60 billion in 2002 to K1,669.36 billion

in 2003, customs duty arrears increased from K89 billion in 2002 to K724.27 billion in 2003 while PAYE arrears increased from K23.76 billion in 2002 to K136.46 billion in 2003.

It was further noted that arrears on company tax (non parastatal) increased from K47.7 billion in 2002 to K546.56 billion in 2003. Parastatal organisations tax arrears increased from K42.3 billion in 2002 to K397.01 billion in 2003. Although the defaulting companies were levied penalties amounting to K77.7 billion and interest of K41.2 billion, the amount remained uncollected as of November 2004.

(d) Losses Of Revenue

During the year under review, a total amount of K1,501,394,283 was lost by the Authority as a result of misappropriations and other fraudulent activities by some members of staff. It was observed that although disciplinary action including dismissal was taken against the officers, the amounts misappropriated had not been recovered.

(e) Delayed Remittances of Funds to Bank Of Zambia

According to banking arrangements made between the ZRA and commercial banks, money deposited in commercial banks is supposed to reach Bank of Zambia within four days for banks within Lusaka and Ndola and fourteen (14) days for banks in rural areas. Any bank that fails to meet these requirements is charged interest at the Bank of Zambia mid rate.

An examination of records maintained at the Treasury section at headquarters revealed weaknesses in that no frequent monitoring was done by the Monitoring Unit within the Treasury section as only one monitoring exercise was done in the whole year. The consequence of this weakness was that the ZRA was unable to detect defaulting banks timely. In this regard, it was observed that:

- (i) The Zambia National Commercial Bank (ZNCB) delayed in remitting funds amounting to K9,953,818,555 to the Bank of Zambia for periods ranging from six (6) to seventeen (17) days and interest amounting to K55,861,582 was charged as penalty, although the cheque was only deposited five months later.

- (ii) An analysis made on the deposits made with Finance Bank revealed that the monies deposited were not remitted in total by the bank to the Bank of Zambia. It was observed in this regard that during the period under review, a total of K287,480,373,722 was deposited with Finance Bank. However, only an amount of K43,883,774,408 was transferred to the Bank of Zambia leaving a balance of K243,596,599,314 as shown below:

DATE	TOTAL OPENING BALANCE	TRANSFERS TO Bank of Zambia	AMOUNT HELD
23-Jan-03	28,101,966,304	2,357,097,957	25,744,868,347
26-Feb-03	26,738,635,024	746,748,419	25,991,886,605
28-Mar-03	27,435,563,508	11,912,869,374	15,522,694,134
23-Apr-03	26,112,399,036	2,439,229,448	23,673,169,588
27-May-03	27,403,439,603	5,042,177,321	22,361,262,282
25-Jun-03	27,517,920,616	3,218,329,499	24,299,591,117
25-Aug-03	17,150,923,320	4,535,998,924	12,614,924,396
23-Oct-03	34,201,228,048	5,661,822,903	28,539,405,145
25-Nov-03	37,140,082,085	4,718,580,999	32,421,501,086
24-Dec-03	35,678,216,178	3,250,919,564	32,427,296,614
	287,480,373,722	43,883,774,408	243,596,599,314

The delay in remitting revenue to Control 99 adversely affected Government operations.

(f) **Refer to Drawer cheques**

In paragraph 18 of the Auditor General's Report for the financial year ended 31st December 1999, mention was made of losses of K4,594,972,288 due to refer to drawer cheques. A review of the situation in November 2004 revealed that the situation had not improved in that 522 cheques in amounts totalling K7,600,106,125 were dishonoured during the period under review. Out of the 522 cheques, only 282 in amounts totalling K5,885,407,158 had been replaced.

A further analysis of the unreplaced cheques revealed the following:

- (i) Thirty eight (38) cheques with amounts totalling K192,041,067 were owed by government and Quasi Government Institutions.

- (ii) Eighteen (18) Cheques with amounts totalling K34, 881,149 related to organisations that were located outside Lusaka and for which ZRA had not made a follow up.
- (iii) One hundred and seventy three (173) Cheques with amounts totalling K1,159,768,761 were owed by organisations that could not be either traced or whose status was not known.

(g) **Cancelled Official Receipts**

During the period 1st January 2003 to 31st December 2003 one hundred and thirty two (132) Original Receipts in amounts totalling K2, 349,520,640 shown as cancelled were not availed for audit scrutiny. It was therefore difficult to verify whether the receipts were actually cancelled.

(h) **Utilisation of Interest Earned on Repayment Accounts**

In paragraph 31 of the Auditor General’s Report for the financial year ended 31 December 2002, mention was made of the irregular use of interest earned on the VAT Repayment account maintained at the Zambia National Commercial Bank (ZNCB).

In his submission to the Public Accounts Committee, the Secretary to the Treasury advised that the ZRA had been directed to cease utilising the interest.

A review of the situation in November 2004 revealed that although the Authority had stopped utilizing the interest earned, interest totaling K1,235,938,167 earned during the period from February to October 2004 had not been remitted to Control 99.

HEAD : 206 - FEES OF COURT OR OFFICE - MINISTRY OF HOME AFFAIRS

SUBHEAD : 054 - PASSPORTS

Misappropriation of Revenue Collections And Other Accounting Irregularities, Passport Office, Kabwe

17. An examination of financial records pertaining to the revenue collections at Kabwe Regional Passport Office revealed the following:-

(a) **Misappropriation Of Revenue Collections**

A cash count conducted in October, 2004 at Passports Office in Kabwe on revenue collections for the period between July and September, 2004 disclosed that amounts totalling K38,220,000 were misappropriated by the cashier/revenue collectors. In addition, cash collections amounting to K12,208,000 collected during the period February 2003 to February 2004 was not brought to account in the General Revenue Cash Book and was also not banked.

(b) **Over Banking**

A comparison of revenue collections and bankings for the period June to July, 2004 disclosed an over banking of K1,139,000.

(b) **Delayed Bankings**

There were delays in banking revenue amounting to K14,570,000 collected during the period June to July 2004, of up to forty-one (41) days contrary to the provisions of the Financial Regulations.

(d) **Missing General Receipt Books**

A review of the system regarding the custody of accountable documents revealed weaknesses in that the office does not maintain a register of accountable documents contrary to the requirements of Financial Regulations. In this regard, during the period under review, 68 General Receipt Books were issued to the office. It was observed however, that only twelve (12) of the receipt books were used at the Office.

The balance of fifty-six (56) had no records to show that they were used at the station and they were not made available for audit scrutiny. It was further observed that thirty-three (33) additional General Receipts whose source could not be established were found used at the station, and the Auditor-General was not notified of the transfer contrary to the requirement of the Financial Regulations.

HEAD : 206 - FEES OF COURT OR OFFICE
MINISTRY OF COMMUNICATIONS
AND TRANSPORT

SUBHEAD : 184 - ROAD TRAFFIC COLLECTIONS

Revenue Collections

18. The Road Traffic Commission in the Ministry of Communications and Transport collects revenue in form of Toll (Traffic) Fees and other fees generated from road service licence; motor vehicle registration books; driving licence; motor vehicle examination; and driving test, among others.

During the Financial year ended 31st December 2003, a total revenue estimate of K30,750,000,000 was made in the Estimates of Revenue and Expenditure.

A scrutiny of records relating to revenue collections for the period revealed that revenue in amounts totalling K31,030,410,027 had been collected as of 31st December 2003, exceeding the budgeted estimates by K280,410,027. Out of the total collections, an amount of K13,042,926,000 (US\$2,901,214) was in respect of Toll (Traffic) Fees. The Toll Fees collected represented 42 per cent of the total collections from 11 collection points (out stations) as detailed below:

Collection Point	Amount	
	K	US\$ Equivalent
Mwami border	133,103,559	29,607
Lusuntha border	-	-
Chanida border	81,443,715	18,116
Kazungula border	1,712,840,100	380,997
Lusaka office	25,971,536	5,777
Ndola office	7,175,103	1,596
Victoria Falls border	1,095,007,967	243,569
Chirundu border	3,402,608,376	756,862
Nakonde border	5,895,857,838	1,311,450
Kasumbalesa border	674,315,840	149,992
Kariba border	12,466,517	2,773
Mufulira border	2,135,449	475
Total	13,042,926,000	2,901,214

However, it was observed that there was no collection of Toll Fees at Lusuntha Border Post in Eastern Province as the station was not manned due to lack of staff accommodation at the border post.

Inquiries at Mwami Border Post and the Office of the Permanent Secretary, Eastern Province in June 2004, revealed that most truckers from Malawi were avoiding Mwami Border in preference to Lusuntha Border where the department has no representation and therefore cross the border without paying Toll Fees.

As of June, 2004, no action had been taken by the ministry to construct infrastructure at Lusuntha border to arrest the loss of revenue to government.

HEAD : 216 - EXCEPTIONAL REVENUE

SUBHEAD : 003 - FUEL LEVY

Non Remittance of Fuel Levy

19. In Paragraph 29 of the Auditor General's Report on the Accounts for the financial year ended 31st December, 2002, mention was made of the failure by the Ministry of Finance and National Planning to remit a balance of K92.4 billion out of K273,000,000,000 collected as fuel levy during the period 1995 to December 2002 to the National Roads Board.

In their report for the Third Session of the Eighth National Assembly, the Public Accounts Committee directed the Secretary to the Treasury to ensure that budget provisions of the fuel levy for each particular year were released to the National Roads Board in full before any other consideration for excess collections.

During the financial year ended 31st December 2003, a provision of K72,000,000,000 was made in the Estimates of Revenue and Expenditure for fuel levy collection.

A review of records maintained at the Zambia Revenue Authority for the year 2003 revealed that a total of K98,217,265,208 was collected from Oil Marketing Companies and deposited in the Government main account (Control 99) at the Bank of Zambia. However, out of the total amount of K98,217,265,208 collected, only K42,900,000,000 was remitted to the National Roads Board. The amount remitted was K29,100,000,00 less than the budgeted provision and K55,317,265,208 less than the total collection.

The non remittance of the fuel levy in full to the National Roads Board by the Ministry of Finance and National Planning impacted negatively on the road maintenance programme.

HEAD : 216 - EXCEPTIONAL REVENUE

SUBHEAD : 007 - OTHER REVENUE

Zambia Privatisation Revenue Account

20. In paragraph 29 of the Auditor General’s report for the financial year ended 31st December 2000, mention was made of anomalies in the utilisation of the moneys raised from the sale of State Owned Enterprises (SOEs). In particular, it was observed that a total amount of K6.2 billion was spent on the purchase of spare parts for the Presidential Jet, purchase of lubricants, unexplained transfer of money to a Zambia National Commercial Bank account and purchase of a Chancery building in Pretoria, South Africa.

In its report for the First Session of the Ninth National Assembly, the Public Accounts Committee recommended that the Account be immediately refunded the total amount of money used contrary to the provisions of the Privatization Act. They further recommended that punitive sanctions be meted out against the Permanent Secretary who authorised the disbursements of these funds without the authority of the Minister of Finance and National Planning.

A review of records pertaining to the sale of State Owned Enterprises revealed that a total of 261 companies were sold between 1993 and May 2004 and that a total amount of K187,368,398,721 was deposited in the Privatisation Revenue Account held at the Bank of Zambia as shown in the table below:

ZPA summary status report for number of SOEs sold, amount realised and payments incurred

	No. of SOEs sold	Receipts	Payments
		K	K
2004	-	70,000,000,000	71,867,749,898
2003	-	26,498,667,283	26,650,597,061
2002	10	194,000,000	23,047,795,666
2001	3	252,000,000	2,788,977,375
2000	13	3,609,515	6,784,582,972
1999	30	7,096,345,247	500,340,000
1998	16	8,386,467,546	7,629,617,249
1997	58	10,830,496,841	9,055,765,996
1996	82	32,638,517,114	9,359,270,223
1995	34	25,609,351,785	27,188,884,962
1994	9	5,168,607,489	2,282,593,920
1993	6	690,335,900	200,000
Total	261	187,368,398,721	187,156,375,322

An examination of the payments made from the Privatisation Revenue Account from 2002 to May 2004 revealed that the Ministry of Finance and National Planning used this account to settle debts that were not approved by Parliament such as terminal benefits to ex-employees of privatised SOEs, salaries of RAMCoZ Plc (in Receivership) and operational costs of the Zambia Privatisation Agency (ZPA), contrary to the provisions of the Privatisation Act, 1992.

In this regard, a total of K135,505,677,381 was paid out of the Account as terminal benefits to ex-employees of privatised SOEs (K7,900,303,542), salaries and terminal benefits of RAMCoZ Plc (in Receivership) (K125,559,104,861) and operational costs of the ZPA (K2,045,768,978).

EXPENDITURES

**HEAD : 11/01 - ZAMBIA POLICE
MINISTRY OF HOME
AFFAIRS - HEADQUARTERS**

SUBHEADS : - VARIOUS

Accounting Irregularities

21. In paragraph 26 of the Auditor General's report for the financial year ended 31st December 2002, mention was made of the weaknesses in control over revenue collections at Divisional headquarters, Lusaka Central, Matero and Emmasdale Police stations. It was mentioned in particular that there were inadequate controls over the collection of revenue in that the Zambia Police revenue form ZP 126 used to collect revenue at speed traps and roadblocks was not serially numbered. There were no Ministry of Finance and National Planning covering receipts acknowledging deposits of money into the main account and that there were no guidelines on how to treat offenders who failed to pay fines.

A recent review of the records at the Zambia Police headquarters for the period 2002 to 2003 revealed that the situation has remained the same in that there were still weaknesses in internal control as revenue was not being banked on time and in certain cases receipt books were missing. Further, Zambia Police employed people without regard to the approved establishment for each station. Further observations included the following:

REVENUE

22. A review of records pertaining to the collection of revenue in respect of the finger print charge for the period January 2002 to October 2003 revealed that there were delays of between two to eleven months in banking revenue collections totaling K34,239,500 made during the period under review.

23. EXPENDITURE

(a) Purchase of Cell Phones

According to Cabinet Office circular number 1 of 2000, the official use of cellular/ mobile telephones is restricted to the rank of Permanent Secretary, their equivalent and officers of higher rank. The officers are however, not allowed to accrue monthly cellular or mobile phone bills exceeding K500, 000 per month. The circular also states that official cell phones should be withdrawn from officers below the rank of Permanent Secretary.

During the period March 2002 to October 2004, Zambia Police Service headquarters paid a total amount of K55,858,300 for the acquisition of 40 cellular phones. The phones were distributed to among others, the Principal Accountant, drivers and batsmen contrary to the provision of the circular.

(b) Purchase of Furniture

In November 2002, the Police Service obtained assorted pieces of furniture worth K207,799,449 on credit from a local supplier. The furniture was to be distributed to the Office of the Commissioner of Police and registry offices at Police Service headquarters and the residences of the Inspector General, and the Commissioner of Police at State House.

An examination of records however, revealed that no contract was entered into with the supplier and as of 31st December 2003 the amount of K207,799,449 had not been paid to the supplier. It was further observed that neither the buying office nor the maintenance department had any records showing the details of what was ordered and received. In addition, it was observed that in May 2003 the Police Service paid a total amount of K121,158,150 for the supply of assorted furniture. The furniture was again for the residences of the Inspector-General and Commissioner of Police at State House. In

both cases, no authority was obtained from the Zambia National Tender Board and the furniture had not been recorded in the relevant stores records contrary to the existing stores regulations.

(c) **Purchase of groceries for the Inspector General**

A scrutiny of expenditure records at the Zambia Police Service headquarters for the period June 2002 and November 2003, revealed that a total of K53,357,800 was spent on the purchase of groceries, foodstuffs and alcohol for the residence of the former Inspector General.

In his response dated 16th November 2004, the Controlling Officer stated that this was part of the officer's conditions of service and that there was no limit governing the maximum domestic expenses for the Inspector General.

It was noted however that, although the controlling Officer stated that this was part of the Officer's conditions of service, a copy was not provided for scrutiny.

(d) **Motor Vehicles**

According to circular no.B18 of 2002 for the Retirement of Package for Defence and Security Chiefs, one (1) basic 4 x 4 motor vehicle other than the official Mercedes Benz may be purchased on a one-off basis by the Defence and Security Chiefs.

An examination of the motor vehicle records at the Zambia Police headquarters in March 2004 revealed that a number of retired officers obtained vehicles in excess of their entitlement. A Further scrutiny of records showed that prior to the issuance of the circular by Cabinet office in 2002, some retired officers went away with motor vehicles without authority. It was observed in this regard that:

- (i) Fifteen (15) officers who retired during the period February 1995 to August 2003 went away with 22 motor vehicles without authority.
- (ii) Two (2) officers who were retired during the period 1998 to 2002 and were offered to purchase their personal to holder motor vehicles had not paid for the vehicles as of December 2003 although they were in possession of the vehicles.

(e) **Staff Establishment**

According to the existing government procedures, every Government Ministry and Department is supposed to have an approved staff establishment upon which the budget for personal emoluments is based. It was observed however that no establishment register was available for Police Officers and this made it difficult to compare the authorised establishment with the actual numbers in employment. In this regard, it was difficult to appreciate how the budgets for personal emoluments for Police Officers were arrived at. A head count of Police Officers in Zambia carried out in September 2003 revealed that there were 14,071 officers in employment. This represented approximately one (1) police officer to seven hundred and seventy (770) persons.

It was observed that although the Police to population ratio was low, the Zambia Police Service employed more non Police officers in excess of the authorised establishment as shown below:

Non Police Officers Unit/Station	Total Authorised	Actual staff on payroll	Excess Staff	Total Emolument paid to excess staff K
Lusaka Division	21	130	109	811,857,504
Protective Unit	3	32	29	209,070,720
Police Training College	10	36	26	210,003,504
Tazara	4	17	13	19,856,280
Paramilitary	9	18	9	119,732,376
State House	6	19	13	97,566,366
Copperbelt Division	7	89	82	690,487,920
Western Division	5	13	8	101,411,424
Southern Division	11	52	41	288,247,920
North-Western Division	5	15	10	101,411,424
Northern Division	5	32	27	245,077,608
Luapula Province	4	12	8	76,058,565
Eastern Province	4	31	27	207,880,296
Central Province	7	49	42	310,087,776
Total	101	545	444	3,488,749,683

It is evident from the table above that the Zambia Police Service employed more support staff in excess of the numbers approved in the establishment register. In this regard, 444 support staff was employed in excess of the total provision of 101. This resulted into total emolument of K3,488,749,683 being paid to excess staff. The amount of K3,488,749,683 inadvertently contributed to the excess expenditure of K5,367,993,972 in 2002 and K8,389,641,897 in 2003. The

implication of this action is that funds meant for other activities were diverted to payment of salaries.

(f) **Police Camps Water Supply**

A total provision of K3, 000,000,000 was made in the Estimates of Revenue and Expenditure for 2002 under the Poverty Reduction Programme for improvement of water supply in the Police Service camps throughout the country. Out of the total provision of K3,000,000,000, an amount of K1,000,000,000 was released for the improvement of water supply in Lusaka and Copperbelt Provinces leaving a balance of K2,000,000,000.

An examination of the expenditure records at headquarters and inspections of the projects carried out in Lusaka Province revealed the following:

(i) **Chelstone Police**

In May 2002, a tender for the improvement of water supply at the Chelstone Police Camp was floated. The works to be done comprised of the rehabilitation of the existing borehole, the siting and drilling of two (2) new boreholes, replacement of the old pump set with a new KSB submersible pump set, installation of two (2) submersible pump sets and the supply of four (4) x 10,000 litres polytanks. The new submersible pump set was to be supplied with a waterproof cable and jointing kit with all protection devices, namely, phase angle relay, low water level cut-out, T/P MCB (circuit breakers), lightening arresters and weatherproof box. In this regard, in May 2002 the Commissioner of Police informed the Permanent Secretary at the Ministry of Home Affairs that three companies had been identified and quotations submitted as detailed below:

	<u>US\$</u>
United Chemolide Industries (Z) ltd	143,233
Bestobel Water ltd	195,957
AFE ltd	220,077

In the same letter, the Police Commissioner recommended Messrs United Chemolide Industries (Z) Ltd (lowest bidder) to carry out the works at the quoted sum of US\$143,232.50 (K627, 728,105) and the tender documents were subsequently submitted to the Permanent Secretary, for onward submission to the Zambia National Tender Board for approval. However,

authority from the Zambia National Tender Board was never obtained as the papers were not submitted.

Nevertheless, in 2002 the Zambia Police went ahead to award the contract to Messrs United Chemolide (Z) Ltd at a contract sum of US\$143,232.50 (K627, 728,105). In addition no contract was entered into between the Police and the company. A scrutiny of documents revealed that as of September 2002 the total contract sum of US\$143,232.50 (K637, 728,105) had been paid to the company.

A physical inspection of the works carried out in January 2004, revealed that out of the two new boreholes which the contractor had drilled one borehole had run dry and had not been operational since July 2003 and some devices such as phase angle relay, low level cut-out and lightening arresters devices that were supposed to have been supplied with the control panel had not been delivered while the control switches for the pumps were not operational.

As a result of the above, the water supply in the camp has not improved and there was no evidence that the Police Service made a follow up with the contractor to rectify the situation. The camp is therefore still dependent on water supplied by the Lusaka Water and Sewerage Company, which as of December 2002 was owed K2,718,946,099.

It is evident from these observations that the expenditure of K637,728,105 incurred on the works was a waste of public funds.

(ii) **Makeni Police Camp**

In October 2002 a contract for the improvement of water supply in Makeni Police Camp was awarded to Messrs Kensit Contractors Ltd at a contract sum of K23,376,750. The works were to be executed within a period of 10 days and involved, among others, testing the existing borehole to ascertain yield of water and supplying and installation of a submersible KSB pump set with necessary accessories.

An examination of records showed that a down payment of K11,851,956 was made in October 2003. A physical

inspection of the works carried out revealed that the borehole was not operational. Inquiries made disclosed that the motor blew up in September 2003 due to wrong electrical connections and was consequently removed by the contractor in October 2003 for repairs. As of January 2004, the motor had not been repaired and the water pump was lying outside the Police Station building exposed to unfavourable conditions.

Although an amount of K11, 851,956 was paid, it is unlikely that the water situation would improve.

(iii) **Kafue Police Camp**

In October 2002, a contract for the improvement of water supply in Kafue Police Camp was awarded to Messrs Land mate Engineering Ltd at a contract sum of K60, 031,220. The works were to be executed within a period of five (5) weeks ending 31st December 2002 and included among others drilling and equipping a new borehole to pump water into ground reserves at the pump house and repairing all leaking parts to the steel water tank as well as automating the system of operation to the ground reserves with high and low level float switches.

An examination of records revealed that a down payment of K37,311,102 was made towards the works in October 2003.

A physical inspection of the works carried out in March 2004 revealed that only the borehole had been drilled. Inquiries made disclosed that the delays in completing the works were as a result of the failure by the Police to make payments on the certified works.

(iv) **Chilanga Police**

In October 2002, a contract for the improvement of water supply in Chilanga Police Camp was awarded to Messrs Stewards & Lloyds (Z) Ltd at contract sum of K38,791,535. The works were to be completed within a period of five days and included among others drilling a borehole, casing, supply and installation of 2HP submersible pump complete with electrical controls and supplying and installing galvanized pipes with all associated plumbing and fitting works.

A scrutiny of payments relating to the contract revealed that as of October 2003, the full amount of K38,791,534 had been paid.

A physical inspection and inquiries made in March 2004 revealed that since November 2002, water was being pumped directly into homes because the water tank could not be used due to leakages. As of January 2004, no action had been taken to repair the leaking tank.

It is evident from the above that the project for the improvement of water supply in the Police Camps did not achieve the desired results. The failure of the project can be attributed to lack of supervision. It could also not be understood as to why the Police failed to make payments to the contractors on time when an amount of K1,000,000,000 was released for the purpose.

(g) **Sanitation in Police Cells**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2002, an amount of K800,000,000 was provided for the rehabilitation of police cells in Lusaka and Eastern Provinces under the Highly Indebted Poor Countries (HIPC) Programme.

An examination of the expenditure records at headquarters and a physical inspection of the project at Kabwata Police Station in March 2004 revealed that the contract for the rehabilitation of the cells at Kabwata Police Station was awarded to Messrs Milache Enterprises Ltd on 26th August 2002 at a sum of K31,116,898. The works were to be executed within four (4) weeks commencing on 26th August 2002 and to be completed by 26th September 2002. The works involved among others the use of 200mm thick concrete block work to raise the cell height, replacing and fixing security doors complete with tube framing hinges locks. As of January 2003, a total amount of K34, 296,506 had been paid to the contractor for the works. It was observed that although all the works specified in the contract were carried out, a crack had developed almost round the entire cells block between the concrete slab and the raised part of the roof. There were also leakages at the hand washbasins that resulted in water sipping through the walls into the cells and through to the outside resulting in

the base of the cells block on the northern part of the building to weaken.

**HEAD : 15/02 - MINISTRY OF HOME AFFAIRS
PRISONS AND REFORMATORIES**

SUBHEADS : - VARIOUS

Irregularities In Accounting And Conditions Of Prisons

24. An examination of financial and stores records for the financial years ended 31st December, 2002 and 2003 maintained at Prisons Headquarters in Kabwe revealed the following:

(a) **Bank Accounts**

During the period under review, the department maintained four (4) bank accounts namely Main (to meet RDCs), Benevolent (to cater for sports and other recreational social welfare activities), HIPC (to meet HIPC activities) and Prisons Industrial Revolving Fund (for trading activities).

A scrutiny of documents pertaining to the four bank accounts disclosed that a total of K227,282,100 was transferred from the main account to the Benevolent, the HIPC and the Revolving Fund bank accounts with a view to refund when funds were available in the recipient accounts. It was noted however that the amount had not been refunded as of July 2004.

(b) **Irregular Payments**

(i) The Commissioner of Prisons was paid K16,574,360 as fuel allowance and K21,744,948 for a post paid cell phone allowances from the benevolent fund account during the year 2003 which were not provided for in his conditions of services. The amount had not been recovered from the Commissioner as of July 2004.

(ii) A total amount of K93,061,500 was paid as sitting allowances to officers during the year 2003. A scrutiny of the supporting documentation revealed that the payments were in respect of activities undertaken during normal working hours and there was no authority from Cabinet Office.

(c) **Outstanding Special Imprests**

A total amount of K94,528,794 was issued as special imprest to various officers during the year 2003. The imprests had not been retired as of July 2004. It was further observed that out of the total amount paid, K8,455,000 was purportedly used on purchase of stores materials. However, no receipt and disposal details of the materials were available.

(d) **Procurement of Foodstuffs**

According to the existing procedures, all payments relating to the supply of foodstuffs are centrally made at prisons headquarters in Kabwe. The foodstuffs purchased are entered into the prisons rations register before being distributed to various prisons around the country.

A review of the system revealed weaknesses in that there was only one staff member responsible for procurement. Further, no credit control ledgers were maintained by the officer. In addition, there was a slack in management control over funds as evidenced by the procurement of foodstuff at exorbitant prices. It was observed in this regard that:

- (i) In April 2003, the Ministry paid a supplier a total amount of K116,000,000 for the supply of 20,000 Kg of dry beans (K4,800 per Kg) instead of K96,000,000 resulting in an overpayment of K20,000,000.
- (ii) Due to failure by the Prisons department to monitor purchases of foodstuffs, it was observed that orders for foodstuffs were made without regard to availability of funds. In this regard the department owed various suppliers a total amount of K14,758,942,262 as of July 2004. Some of the debts have been outstanding since 1997.
- (iii) It was further observed that out of the total amount outstanding, an amount of K2,878,607,720 was owed to a supplier who sued the government for a principal amount of K5,606,327,380 with accrued interest of K10,134,185,980.

A consent judgement was consequently passed by the court in favour of the supplier and government was to pay an amount of K2,878,607,720 as principal and 29 percent interest from 11th October 1997 to the date of judgement and thereafter at the statutory rate in terms of the Judgement Act to the date of payment. As of July 2004, the supplier had been paid an amount of K1,500,000,000.

- (iv) Food stuffs costing K27,523,900 purchased during the period from March 2002 to September 2003 meant for Maximum, Medium and Kalonga Prisons did not have receipts and disposal details.

(e) **Inspection of Prison Facilities**

In its mission statement the Zambia Prison Service has set goals of providing safe custody, efficient and effective correctional services to inmates in order to contribute to internal national security and provision of adequate accommodation, food, clothing, water, sanitation, sport, recreation, training skills, earning schemes to inmates as prescribed in the United Nations Charter of minimum standard rules of offenders to which Zambia is a signatory.

However, an inspection carried out on selected prisons revealed the following:

(i) **Maximum Security Prison - Kabwe**

The prisons infrastructure has accommodation capacity of four hundred (400) inmates. However, it was observed that a total of One Thousand, Two Hundred and Fifty (1,250) inmates were accommodated, 850 in excess, at the time of the visit in July 2004.

(ii) **Medium Security Prison - Kabwe**

It was observed that though the Prison had a capacity of accommodating 420 inmates, it accommodated 582 inmates, 162 in excess thereby overcrowding the prison.

It was also observed that the toilet systems were not in working order as they were not flashing and had no sit pans resulting in buckets being used as toilets.

(iii) **Mpima Remand Prison – Kabwe**

The Prison infrastructure has accommodation capacity of ninety (90) inmates. It was observed, however that there were four hundred and thirty (430) inmates exceeding the normal capacity by three hundred and forty (340).

It was also observed that toilets were not flashing and buckets were in use instead. The sewer pipes that needed a complete overhaul had not been rehabilitated.

(iv) **Kabwe Female Prison**

The Prison had accommodation capacity of twenty-five (25) inmates. It was noted however that at the time of the visit the prison had forty-nine (49) inmates, twenty four (24) in excess of the capacity. The number included (9) children and one condemned prisoner.

There was no separation of children from adults due to inadequate infrastructure. Some inmates were spending nights in the corridor for the condemned section and out of the three rooms meant for condemned inmates, one was used as an office while the second one was used as a storeroom.

The toilets were not working and buckets were used instead.

(v) **Mwembeshi Open Air Prison**

The Mwembeshi Open Air Prison has an accommodation capacity of one hundred and twenty (120) inmates. However at the time of the visit, the prison had two hundred and ninety-six (296) inmates, 176 in excess of its capacity.

The structures were in a bad state, and the prison had no modern kitchen except the temporal make shift made out of grass.

The cells and dormitories had no toilets and as a result, buckets were used as toilets.

It was also observed that in all prisons visited there was a shortage of shoes, uniforms, beds and blankets, while mattresses were worn out.

**HEAD : 17/06 - MINISTRY OF FOREIGN
AFFAIRS MISSIONS
ABROAD - LONDON**

SUBHEADS : - VARIOUS

Weaknesses In Accounting For Mission Funds

25. During the financial year ended 31st December 2003 a total provision of K10,997,869,807 was made in the Estimates of Revenue and Expenditure to cater for Recurrent Departmental Charges (RDCs) and Personal Emoluments (PEs). According to records obtained from the Ministry of Foreign Affairs Headquarters, a total amount of K6,877,173,064 was released. The release, included an amount of K949,193,900 for outstanding bills. It was further observed that an amount of K310,000,000 was released in December 2002 for settling outstanding bills.

An examination of the financial and stores records and a physical inspection of the mission properties for the year under review revealed the following:

(a) **Inadequate Budget Provision.**

The Original budget for the mission was K5,124,373,595 however it was noted that by July 2003 the Mission had spent a total of K2,964,880,735 against the budget leaving a balance of K1,952,397,587. Consequently, the Mission applied for a supplementary budget provision of K5,873,496,312 bringing the total authorized budget provision to K10,997,869,807. It was therefore evident that the original budget was inadequate to meet the operational needs of the mission.

(b) **Understatement of expenditure**

According to the existing arrangements, Zambian Missions abroad are required to submit expenditure returns together with original copies of payment vouchers and backing sheets on a monthly basis

for processing. The information is then used in the production of financial statements.

A comparison between expenditure figures appearing in the Mission's expenditure returns and figures appearing in the Financial Statement for the year ended 31st December 2003 however revealed a difference of K1, 128,074,478 arrived at as follows:

ITEM OF EXPENDITURE	EXPENDITURE AS PER 2003 RETURN	EXPENDITURE AS PER FINANCIAL STATEMENT	VARIANCE
Other emoluments	5,086,561,159	4,427,334,464	659,226,695
Allowances	84,727,727	23,736,388	60,991,339
Purchase of Goods	249,829,904	120,303,529	129,526,375
Purchase of services	1,527,561,681	1,249,231,612	278,330,069
	<u>6,948,680,471</u>	<u>5,820,605,993</u>	<u>1,128,074,478</u>

It was evident from the above analysis that expenditure for the Mission was under stated by K1, 128,074, 478 in the Financial Statement for 2003 and no adjustments were made.

(c) **Payment made Contrary to Foreign Service Regulations.**

According to Foreign Service regulations, an officer on recall is entitled to 1x40ft container for transportation by surface of his personal effects.

A review of records maintained at the Mission revealed that in June 2002, the High Commissioner to London was recalled but was later relocated to Pretoria, South Africa as the High Commissioner.

In order to facilitate his movements, an amount of K256,398,904 was released in December 2002 to the Mission.

A scrutiny of payments however revealed that an amount of K133,229,817 (GBP18,912.50) was paid to Burke Bro Wolverhampton for the shipment of four containers from London to Pretoria, three (3) above his entitlement. Although the cost of K95,380,437 for the extra three containers was to be borne by the Officer, the money had not been recovered as of May 2004.

(d) **Outstanding Bills**

During the period from December 2002 to December 2003, a total amount of K1,259,193,900 (US\$ 269,668.94) was released the by

Ministry Headquarters to the Mission for settling of outstanding bills, some of which have been outstanding since 1998. A review of records however revealed that although some bills were settled, some remained static, while new bills were incurred and consequently, the outstanding bills figure increased from US\$69,722.71 (£39,841.41) in December 2002 to US\$74,721.32 (£42,698.01) in March 2004.

(e) **Failure to Obtain a Refund**

In November 2003 an amount of K29, 880,715 (£3,768.25) was paid to Link Express for the supply of two (2) air tickets for the High Commissioner and the First Secretary (Protocol) who were proceeding to Abuja for a Commonwealth meeting.

A scrutiny of payments revealed that in December 2003 the First Secretary claimed a refund and was paid an amount of K11,611,703 (£1,394.80) for purchase of an air ticket for the same trip to Abuja when the tickets were already paid for. There was therefore a double payment for the air ticket involving an amount K11,611,703 (£1,394.80), which had not been recovered from Link Express as of April 2004.

(f) **Properties**

As of April 2004, the Mission owned four properties namely, the Chancery (2 Palace Gate), The High Commissioner's residence (17Courtenay Avenue) and two residential houses at 12 Chelmsford, Wilson Green and 13 Foscoote road Hendon.

A scrutiny of pertinent records and a physical inspection of the properties revealed that most of the properties, especially the Chancery, were in a bad state and needed urgent repairs. In particular, the following were observed:

(i) **The High Commissioner's Residence**

In April 2003, the Mission, without authority from the Permanent Secretary, engaged two (2) contractors to carry out electrical and general maintenance works at the High Commissioner's residence at a total cost of GBP51,933.69 (J A Changlee Builder and Decorator – GBP47,568, Douglass Hall – GBP 4,365.69). However no formal contracts were made available for audit.

It was noted that between April and December, 2003 the two Contractors received payments in amounts totalling £42,259-20 for the works done leaving a balance of £9,674-49.

An inspection of the house in April 2004 revealed that although most of the works quoted by the Contractors had been done, serious leakages and cracks across the roof in the master bedroom on the first floor and leakages in the corridor on the second floor were not rectified and that paint was already peeling off in the toilet. No measures had been taken to rectify these defects as of April, 2004.

(ii) **2 Palace Gate-High Commission of Zambia.**

The building had serious leakages and structural damages in most of the parts and therefore needed urgent attention. The carpets and furniture were old and needed immediate replacement.

(iii) **12 Chelmsford Square, Wilsden.**

The house needs maintenance. Some of the defects noted included among others cracks in the walls apparently due to old age and peeling off of the ceiling.

(iv) **13 Foscote, Hendon NW4.**

The house was being renovated at the time of the audit on 26th April 2004. Renovation works had reached an advanced stage.

**HEAD : 17/15 - MINISTRY OF FOREIGN
AFFAIRS MISSIONS ABROAD -
BEIJING**

SUBHEADS : - VARIOUS

Accounting Irregularities

26. During the financial years 2001 to 2003 provisions totalling K12,499,947,944 were made in the Estimates of Revenue and Expenditure to cater for Recurrent Departmental Charges (RDCs) and Personal Emoluments (PEs). According to records obtained from the Ministry of Finance and National Planning a total amount of K4,797,052, 232 was released against the total authorised provision of K12,499,947,944 resulting

in a shortfall of K7,702,895,712. Out of the total amount released, the Mission incurred a total expenditure of K5,992,908,644 resulting in spending K1,195,856,412 above the amount released.

An examination of financial statements and other related records maintained at Beijing Mission disclosed the following irregularities:

(a) **Bank accounts**

During the period under review, the Mission maintained six (6) bank accounts comprising the main, Yuan (2), Students funds and defence (2). The main account was used as an operational account, the Yuan accounts were used to facilitate local payments, the Students Fund Account was used to facilitate payments to students under the Bursaries Committee. The two defence accounts were used for Defence Attaché's operations and for payments of allowances to defence students. In this regard, it was observed that although bank reconciliation statements were prepared, they were not being checked by an independent officer.

(b) **Passport and visa fees**

During the period from 2001 to 2003 the Mission collected a total amount of US\$42,375 in passport and visa fees. The amount was deposited in the local currency operational account and the Ministry Headquarters was to deduct the equivalent from the funding to the mission.

A review of records at the Mission and the Ministry of Foreign Affairs however revealed that:

- (i) Out of the total collections of US\$42,375 from visa, passports and application fees collected and utilised by the Mission, only US\$6,775 had been deducted from the funding leaving a balance of US\$35,600.
- (ii) Contrary to the provisions of Financial Regulations there were delays in banking revenues amounting to K129,524,352 RMB248,010) for periods ranging from five (5) to ten (10) days.
- (iii) Although the mission maintained a visa fee register where details of all visas issued were to be entered, it was observed that the register had not been updated since 2000. In this regard, details in respect of 2,086 applicants who were issued

with visas valued at K234,675,000 (US\$52,150) had not been recorded.

(c) **Third Party Deposits**

During the period 2001 and 2004 a total amount of US\$347,358 was remitted to Beijing Mission by the Ministry of Education (Bursaries committee) for the payment of top up allowances to students studying in China. The money was deposited in the Students Fund Account.

The existing arrangement to pay students top up allowances outside Beijing was that allowances were to be transferred to the student's bank accounts. It was noted however that although a total of US\$238,509.26 was said to have been transferred to the students' account there was no proof that the students had actually received the money.

In addition in 2001, an amount of US\$200 was lent to a Bursaries Committee officer who was visiting China. It was observed however, that as of July 2004 the amount had not been paid back.

(d) **Transport**

The Mission has five vehicles, Mercedes Benz 260SE, Peugeot 505SW8, Hyundai Galloper, Toyota Hiace and Hyundai Santa Fe purchased between 1988 and 2003. A review of records revealed that the Mercedes Benz car (representational) and the Peugeot 505 had not been insured as of July 2004 as they did not meet the Chinese regulations on exhaust emissions.

A physical verification of the vehicles revealed that three of the vehicles (Mercedes Benz 260SE, Peugeot 505, Hyundai Galloper) were old and required constant servicing while two (Toyota Royal Saloon, Toyota Super Saloon) were unserviceable. Although the two unserviceable vehicles were boarded in 1996, they had not been disposed of as of July 2004.

(e) **Inventory**

An inspection of the inventory at the Ambassador's Residence, other Diplomatic staff apartments and the Chancery building revealed that inventories such as refrigerators, coffee tables etc had no GRZ numbers and inventory lists were not maintained in the offices, contrary to stores regulations.

It was further observed that unserviceable furniture and equipment such as refrigerators, deep freezers, kettles washing machines carpets

and beds whose value could not be ascertained removed from the staff Apartments were stored in the container at the Mission awaiting the Board of Survey. As of July, 2004 the unserviceable furniture and equipment had not been boarded.

(f) **Chancery Building and Ambassador’s Residence**

The Chancery building and the Ambassador’s Residence are rented from Beijing Housing Service Corporation of Diplomatic Mission from as far back as 1989. In 1989 the Zambian Government negotiated for the purchase of the properties and the Corporation offered to sell the property to the Zambian Government at a cost of US\$1,800,000. In the same year the Zambian Government paid a deposit of US\$200,000. It was noted however that the Zambian Government failed to pay the remaining balance of US\$1,600,000 as per sale agreement. As a result the deposit paid was converted to settling rentals.

In 1998, the Mission again wrote to the Ministry of Foreign Affairs about the offer and the Permanent Secretary, Ministry of Foreign Affairs advised the Mission to obtain a latest quotation. In February 1999 the quotation was obtained for US\$6,352,050 from the Corporation. It was however noted that for the financial years from 1998 to 2004 no provisions were made in the Estimates of Revenue and Expenditure and the Mission could not buy the two properties.

The failure by the government to purchase the buildings meant that the Mission will continue occupying rented accommodation at high cost.

It was noted in this regard that according to the lease agreement signed in 1999 for the period from January 1999 to December 2003, rentals for the two properties were revised up wards every year as follows:

Year	Yearly Rentals US\$	Quarterly Rentals US\$	Monthly Rentals US\$
1999	76, 728	19, 182	6, 394
2000	95, 916	23, 978	7,993
2001	115, 908	28,773	9,659
2002	134, 280	33, 569	11, 190
2003	153, 456	38, 364	12, 788

As can be seen above rentals were revised upwards every year making it difficult for the Mission to settle the bills. As of March 2004 the Mission owed Beijing Housing Corporation for Diplomatic Mission a total of US\$ 288, 260 in rentals.

It was further observed that although it was the responsibility of the Beijing Housing Corporation to carry out maintenance works on the properties, it was noted that an amount of US\$ 1516 (K7, 248, 068) was paid by the Mission to a decorating company for painting the Ambassador's Residence and minor works at the Chancery. The amount spent had not been recovered as of July 2004 from the Corporation.

**HEAD : 26/01 - MINISTRY OF INFORMATION
AND BROADCASTING
SERVICES
HEADQUARTERS**

**SUBHEAD : 502/008 - SATELLITE TV AND RADIO
IMPLEMENTATION**

Rural Television Project

27. In November 2001 the Government through the Ministry of Information and Broadcasting Services entered into an agreement with Cable and Satellite Technologies Limited (CASAT) a Zambian company. The agreement was for the installation of television transmitters in seventeen (17) rural districts of Zambia by CASAT to enable the rural communities receive television programmes of the Zambia National Broadcasting Corporation (ZNBC). It was agreed among other things that:

- ◆ The Government was to procure and provide all the required equipment where necessary for the proper execution of the work in consultation with CASAT the Contractor;
- ◆ The Contractor was to install and commission VHF television transmitters, antennas, feeder lines and other related facilities and that the Contractor was to execute and complete in good and workmanlike manner the work as foretasted;
- ◆ The Government was on behalf of the rural District Councils to acquire frequencies from the Communications Authority;
- ◆ The Government was on behalf of the rural communities to acquire television signals from ZNBC;

- ◆ The Contractor was on behalf of the rural communities to secure premises from where the transmitters inclusive of such other accessories were to be installed; and
- ◆ The Contractor was, if authorised by the Government, to vary the work by the addition, omission or substitution of any work and no such variation was to impair the agreement. The parties were to agree, before the variation is carried out on the value for variation and that the value of all such variation was to be added to or deducted from the contract price as the case may be.

(a) **Questionable Contract Issues**

A scrutiny of the contract showed a number of questionable issues in that:

- ◆ No contract amount was specified at the time of signing the contract;
- ◆ There was no time frame for the completion of the project;
- ◆ The retention amount as security to make good any defects arising from faulty workmanship was not provided for in the contract; and
- ◆ The contract had no provisions on the maintenance of transmitters and other equipment that were to be installed.

In order to undertake the project, CASAT later submitted a cost estimate of K2.7 billion covering the purchase and installation of equipment, transportation to the sites and labour costs.

It was however observed that despite the huge capital outlay involved, no tender procedures were followed in the award of the contract and no feasibility studies or consultations with relevant authorities such as the Zambia National Broadcasting Corporation (ZNBC) were made to determine the viability of the project.

(b) **Budgetary Provisions**

There was no specific budgetary provision for the rural television project at the time of signing the contract with CASAT. However, it was observed that the expenditure for the project was charged to the Satellite Television and Radio Implementation subhead intended for the provision of satellite television through out the country. During

the financial years 2001 to 2004 a total of K4,450,000,000 was provided for in the Estimates of Revenue and Expenditure under the satellite television subhead as shown below:

YEAR	ORIGINAL PROVISION	SUPPLEMENTARY PROVISION	TOTAL PROVISION
	K	K	K
2001	150,000,000	2,600,000,000	2,750,000,000
2002	-	1,000,000,000	1,000,000,000
2003	-	700,000,000	700,000,000
2004	-	-	-
TOTALS	150,000,000	4,300,000,000	4,450,000,000

A scrutiny of records showed that a total of K3,576,683,034 was released by the Ministry of Finance and National Planning to the Ministry of Information and Broadcasting Services between the years 2001 and 2004 for the Rural Television Project as shown below:

DATE	REF No.	AMOUNT (K)
18-Oct-01	1012/01	1,000,000,000
18-Sep-02	647/02	500,000,000
17-Dec-02	1002/02	500,000,000
17-Jun-03	463/03	50,000,000
28-Jul-03	571/03	400,000,000
10-Dec-03	1082/03	126,683,034
1-Sep-04	750/04	1,000,000,000
Total		3,576,683,034

The releases totalling K3,576,683,034 made by the Treasury included an amount of K1 billion made in 2004 for which there was no provision in the Estimates of Revenue and Expenditure for that year.

(c) **Payments to CASAT by the Ministry**

According to the contract, the Government as employer was to acquire the equipment through ZNBC and CASAT, as the contractor was to install the equipment. In this regard, a total amount of K1,100,000,000 was released to ZNBC in 2001 for the acquisition of television equipment. However, before the equipment was procured, ZNBC transferred the money to CASAT contrary to the agreement. In addition, an amount of K1,530,593,534 was paid directly to CASAT between May 2002 and December 2003 for the purchase of equipment and to meet other operational requirements bringing the total amount paid to the company to K2,630,593,534.

It was however, not clear as to why the Government did not directly purchase the equipment through ZNBC as provided for in the contract making it difficult to independently establish the equipment purchased by CASAT for the project.

Further inquiries revealed that where as the records at the Ministry of Information and Broadcasting Services showed that a total amount of K2,630,593,534 was paid to CASAT, the company confirmed receipt of K2,426,683,034 leaving an unexplained difference of K203,910,500. In this regard, it was observed that out of the amount of K1.1 billion stated to have been paid to ZNBC by the Ministry in 2001, ZNBC confirmed receipt of only K900 million which was paid to CASAT.

Out of the amount of K1,000,000,000 released to the Ministry in September 2004, an amount of K764 million had been spent by the Ministry on activities relating to the Rural Television Project. The balance of K236 million was held in the Ministry's control account at the Bank of Zambia as of December 2004.

(d) Contracts between CASAT and District Councils

In 1998 CASAT embarked on a programme of procuring and installing TV transmitting equipment in selected rural districts of Zambia for the purpose of relaying ZNBC TV channel. The ZNBC signal was to be relayed through the existing microwave link of the Zambia Telecommunications Company Limited (ZAMTEL).

In order to undertake the programme, CASAT requested the Television Committees that had been formed to oversee the implementation of the programme in the districts to consult with and sign a Memorandum of Understanding (MOU) with ZNBC. In the MOU it was stated that the Committees had exclusively appointed CASAT to provide and install the equipment which would later be handed over to ZNBC. Further conditions in the Memorandum of Understanding included the requirement to agree on equipment specifications and for ZNBC to supervise the installations.

Consequently, the first TV transmitters were installed in Serenje (December 1998) and Mbala (February 1999) after the communities in the two districts through their Television Committees had paid K30,000,000 each to CASAT using the Constituency Development Funds (CDF). In 2001, the Government then advised CASAT to enter into contractual arrangements with ZAMTEL and ZNBC on the payment of annual rentals, fees and other charges that might arise

from or during the provision of such a service. The communities then signed contracts with CASAT through District Councils.

The contracts entered into between the District Councils and CASAT were for CASAT to facilitate the transmission and reception of television programmes of the ZNBC or any other broadcaster. The contracts stipulated among other things that:

- ◆ CASAT, as the Contractor, was at the expense of the Clients, being the District Councils, to procure and install transmitters of such specification as were to be appropriate for the transmission and reception of television programmes inclusive of such accessories as were to be needed;
- ◆ the Contractor was on behalf of the Clients to acquire frequencies from the Communications Authority of Zambia;
- ◆ the Contractor was on behalf of the Clients to acquire a signal from ZNBC or any other broadcaster to facilitate transmission and reception of television programmes;
- ◆ the Clients were to pay to the Contractor an annual maintenance fee amounting to K2,000,000 per station;
- ◆ the Clients were to pay the Contractor rent chargeable for the premises where the transmitters inclusive of other accessories were to be installed.

As a result of the contracts, some district councils made payments to CASAT to facilitate installation of TV transmitters in their localities.

(e) **Payments to CASAT by the District Councils**

Records maintained at the Ministry of Information and Broadcasting Services headquarters and verifications carried out in the rural districts, showed that a total amount of K397,300,000 was paid by various Rural District Councils to CASAT using CDF and other monies raised from the communities. The amounts were paid during the period from 1998 to 2004 as deposits towards the purchase of TV transmitters, broadcasting construction permits, maintenance and insurance costs. It was observed, however, that CASAT did not take into account such payments when submitting the final bill to the Government.

(f) **Progress on the Installation of Rural Television**

A review of available records and inquiries made revealed that the project actually covered thirty-four (34) districts instead of seventeen (17) districts originally agreed upon. It was explained that the increase was as a result of requests that were made by various Television Committees through their area Members of Parliament. No amendments were made to the contract to reflect the increase and the cost involved.

As of November 2004, the television transmitter installation works were completed in twenty-six (26) districts thereby leaving a balance of eight (8) districts. The districts where the transmitters were installed are as follows:

PROVINCE	DISTRICTS
Luapula	Samfya, Mwense, Mwansabombwe, Kawambwa and Nchelenge.
Northern	Mporokoso, Luwingu, Chinsali, Isoka, Nakonde, Mbala, Mpulungu and Kaputa (<i>though installation was not completed in Kaputa due to the collapse of the mast that was constructed by CASAT</i>).
Central	Serenje
North Western	Kasempa and Kabompo
Eastern	Petauke, Katete, Mambwe and Lundazi
Southern	Namwala and Itezhitezhi
Western	Kaoma, Kalabo, Lukulu and Senanga

The eight districts where the TV transmitters were not installed were:

PROVINCE	DISTRICT
Lusaka	Luangwa
Eastern	Chama
Southern	Sinazongwe
Northern	Mungwi and Chilubi
Luapula	Chiengi
North Western	Mwinilunga and Zambezi

As of November 2004, CASAT had halted the work on the project. It was unlikely that the transmitters would be installed in the remaining districts because the Government in March 2004 served notice of termination of the contract to CASAT.

(g) **Problems Experienced Over the Rural Television Project**

An examination of records and interviews with communities revealed a number of problems and complaints as detailed below:

(i) **Non-working Transmitters**

A Physical verification revealed that transmitters that were installed in Mporokoso and Mwense had broken down and were not functional as of November 2004. In this regard, the transmitter for Mwense district broke down in 2002 and was extensively damaged beyond economic repair. Although the transmitter was removed by CASAT it had not been replaced as of November 2004. It was also observed that the transmitters in Nchelenge, Luwingu, Itezhitezhi, Lukulu, Kaoma, Petauke, Mambwe and Lundazi had the in-built fans blown off and the communities were utilising external office fans which were not effective thereby risking the components in the transmitters to damage. The situation was exacerbated by lack of air conditioning facilities in some of the ZAMTEL transmission rooms where the equipment was installed.

(ii) **Lack of ZNBC signal**

Out of the twenty six (26) installations, only thirteen(13) districts were watching ZNBC programmes and there was no ZNBC signal in the other thirteen (13) districts.

(iii) **Lack Of Maintenance Works Of The Installed Transmitters**

According to the agreements that were signed between CASAT and the rural district councils, CASAT was to maintain the transmitters inclusive of other installed accessories. The district councils were to pay an annual maintenance fee of K2,000,000 each. It was observed that as of November 2004, CASAT was claiming an amount of K407,725,000 from the District Councils which the councils failed to pay . However, the details of the maintenance works carried out in the districts could not be verified in the absence of maintenance records at the sites.

(iv) **CASAT's Indebtedness to ZAMTEL**

As per agreement between CASAT and ZAMTEL, space was leased to CASAT on behalf of the communities on its masts or towers to hoist the antennas for the transmission of TV signal and other services. CASAT was to pay ZAMTEL for the services provided.

A review of the records relating to the lease arrangements revealed that CASAT owed ZAMTEL K692,467,629 as of November 2004.

(v) **Failure By CASAT To Pay Frequency Fees**

According to the Radio Communications Act, Chapter 169 of the Laws of Zambia, each television broadcaster is required to pay an annual radio communication licence fee to the Communications Authority of Zambia in respect of the service that the broadcaster operates. The licence fees for the rural television stations were K2,000,000 per station from 1999 and revised upwards to K5,000,040 per station with effect from August 2002.

It was observed that as of November 2004, CASAT owed the Communications Authority a total of K528,753,666 inclusive of value added tax of K78,750,546 .The amount accumulated over the years from 1999 to 2004 in respect of the twenty six installations. This amount was also to be paid by the rural communities through CASAT as per clause 9 of

the agreement signed between CASAT and the District Councils. However the contract signed between the Government and CASAT stated under clause 4 that “the Employer (Government) shall on behalf of the Rural District Councils acquire frequencies from the Communications Authority.” There is therefore an apparent contradiction between the agreements, which should have been harmonised at the time of signing the later agreement.

(h) **Claim By CASAT for the Works Done**

In October 2004, CASAT submitted a claim amounting to K4,472,821,054 for the television installation works that were done in thirty four districts. The bill comprised K3,310,135,840 for purchase of transmitters, accessories, and to cover transport, rigging and labour costs; K496,520,376 for administrative costs; and K666,164,838 was for value added tax.

A review of the claim by CASAT and physical verifications carried out in the twenty six districts where television installations were done revealed a number of discrepancies between the quantities shown on the invoices submitted by CASAT and the actual equipment found at the sites. For instance, there were differences mostly in respect of quantities of 3-core power cables, 2.5 mm cables, coaxial and audio cables, tie wrappers, circuit breakers, as shown below:

Item	Invoiced Quantity	Actual Quantity Installed	Variance
3 Core power cable (m)	2,600.0	203.5	2,396.5
Coaxial cables (m)	2,600.0	635.5	1,964.5
Audio cables (m)	680.0	258.0	422.0
Tie wrappers (boxes)	26.0	18.0	8.0
10A Circuit breakers	26.0	17.0	9.0
2.5 mm Electric cables (m)	2,600.0	20.0	2,580.0

(m = Metres)

In view of the above, the claim of K4,472,821,054 submitted by CASAT is questionable in that:

- (i) The invoiced cost of equipment therefore exceeded the actual cost of equipment found on hand. In this regard, whereas CASAT invoiced equipment costing K2,050,376,900, the cost of actual equipment found on the sites was only K1,375,517,020 resulting in a difference of K674,859,880.

- (ii) The amount of K2,050,376,900 included an amount of K575,692,200 relating to the cost of equipment for the eight (8) districts where no installations were done.
- (iii) CASAT claimed an amount of K327,644,640 in respect of transport, labour, and installation costs for the eight districts where no installations were done.
- (iv) The costs relating to transport, labour, rigging and hire of motor vehicles totalling K932,114,300 relating to the twenty six districts could not be independently verified due to lack of comparative information and supervisory records from the Ministry.

(I) Notice to Terminate the Contract

In February 2004, the Government served notice on CASAT for the termination of the contract by 31st March 2004 due to the various problems encountered in the implementation of the programme.

However, the matter had not been resolved as of November 2004.

HEAD : 29/01 - MINISTRY OF LOCAL GOVERNMENT AND HOUSING HUMAN RESOURCES AND ADMINISTRATION

SUBHEADS : - VARIOUS

Accounting and other Irregularities

28. During the financial year ended 31st December 2003, a total provision of K2,592,249,951 was made in the Estimates of Revenue and Expenditure.

An examination of records maintained at the Ministry headquarters revealed the following:

(a) **Excess Release of Funds**

A total amount of K2,754,399,588 was released to the Ministry headquarters, K162,149,637 in excess of the amount appropriated by Parliament.

(b) **Non Delivery of Goods**

In September 2003, a total amount of K86,540,911 was paid to Business Africa Services ltd for the supply of five (5) desk top computers. However, as of November 2004 two (2) computers valued at K18,100,000 had not been delivered.

(c) **Non Surrender of Laptop Computers**

In September 2003, the Ministry purchased (4) Toshiba Satellite laptop computers at a total cost of K62,000,000 out of which two (2) were issued to two Deputy Ministers who have since left the Ministry. As of November 2004, the laptop computers had not been surrendered.

(d) **Non Production of Reports**

In 2003, the Ministry constituted among others six (6) committees to look into and produce reports on the valuation of properties along Great East Rd expansion, verification and compilation of data on outstanding issues, inspection of equipment purchased for House of Chiefs, reconciliations of various suppliers' accounts, bank reconciliations and collections of non-tax revenue under the Government Valuation Department. In this regard, a total amount of K147,700,000 was paid to members of the committees as sitting allowances. However, as of November 2004, none of the committees had produced a report.

(e) **Misapplication of funds**

In August 2003, amounts totalling K49,000,000 were paid from "grants to councils" vote as loans to five officers at the Ministry Headquarters.

However, as of November 2004, the vote had not been refunded.

(f) **Non Recovery of Advances against Gratuity**

In August 2003, a total amount of K100,000,000 was paid as advances against gratuity to two senior officers on contract at the Ministry. Although in one case gratuity was paid, no recovery was made. In this regard, the amounts were still outstanding as of November 2004 and the two officers had since left the Ministry.

**HEAD : 29/06 - MINISTRY OF LOCAL
GOVERNMENT & HOUSING
INFRASTRUCTURE AND
PORT SERVICES**

SUBHEADS : - VARIOUS

Emergency Works, Water and Sewerage Infrastructure-Kabwe

29. During the Period 2001 to 2002, the Government of the Republic of Zambia (GRZ) contracted a German consultant, under an African Development Bank (ADB) funded programme to assess the water and sewerage situation in Central Province with a view of forming a water utility company for the Province. Under the Programme, the contractor was to come up with recommendations for a comprehensive rehabilitation of the entire water and sewerage infrastructure in the Province.

However, due to the deplorable water situation and poor sanitation infrastructure which resulted in severe out breaks of cholera in Kabwe, need arose to identify critical areas that needed immediate attention (emergency works). The emergency works were aimed at resuscitating the water and sewerage situation and thus alleviating hardships experienced by residents through non provision of vital services such as supply of adequate and clean water and effective sewage disposal system. In this regard, Kalulu water works; Mimosa and Godesia; Mukobeko water station; Luangwa Mine Township were identified for water works while Chowa sewerage pump station; Kasanda Township; Mine area sewerage pump and Katondo sewerage system were identified for sewerage works.

In order to undertake the works, the Government through the Ministry of Local Government and Housing engaged ten (10) contractors in August 2002. The Ministry also contracted a consulting Engineer to supervise the works on behalf of the Ministry.

In order to finance the project, funds were mobilised from various subheads such as Highly Indebted Poor Countries (HIPC), Water and Sanitation Study and Rural Water Supply. The project was to cost K8,497,256,631. In this regard, as of November 2004, a total amount of K5,107,184,618 had been paid by the Ministry to the ten (10) contractors including the consultant. The amount paid was out of the certified works valued at K8,335,787,384 leaving a balance of K1,785,059,066. A review of the contracts signed however, revealed that in most cases, the contract periods were not specified.

An examination of financial records at the Ministry Headquarters and site visits to the projects in Kabwe revealed the following:

- (i) The Ministry did not properly evaluate the capacity of some of the contractors to determine their suitability to carry out the works and there was inadequate supervision by the consultant.
- (ii) The identification process of critical areas was not comprehensive in that the Council and the communities were not consulted. In this regard, in some cases, the contractors were allowed to identify the areas. Consequently, the scope of work was underestimated necessitating a revision to the original works. For instance, whereas the contractor identified fifty (50) leakages along the main trunk line at Kalulu Water Works, the Council had identified four hundred (400).

A physical inspection carried out in November, 2004 on selected works and a scrutiny of the final Inspection Reports by the consulting Engineer revealed the following:

(a) **Water Works**

(i) **United Chemolide**

United Chemolide was contracted to install pumps at Kalulu, Mukobeko, High Ridge, Luangwa mine plant treatment works and Mulungushi water works at a contract price of K2,668,700,831. The contract was for a period of three (3) months commencing June 2002.

A scrutiny of records revealed that the contractor has since been paid a total amount of K1,045,000,000 out of the

certified works valued at K1,455,970,700 leaving a balance of K410,970,700.

A physical inspection in November, 2004 revealed that the contractor installed a Pump at Luangwa Mine Plant Water Works which only worked for a month. Further inquiries revealed that the contractor had supplied a pump with wrong specifications which could not match with the motor at the plant. Consequently, the motor got burnt and as of November 2004, the problem had not been rectified.



Non functional pumps mismatched to the motor

(i) Nakasa Import and Export Limited

The company was contracted to detect and repair leakages at a contract price of K227,500,000 along the main trunk line from Kalulu pump station to Mukobeko reservoir. Consequently, the company detected and repaired fifty (50) leakages.

Investigations and a scrutiny of related records revealed that there were actually over four hundred (400) leakages which should have been detected and repaired. The repair of fifty leakages fell far short of the 400 leakages that should have been repaired as the problem has continued.

The contractor was paid K40,000,000 for this shoddy job.



Leakages from the underground pipe Kalulu- Mukobeko

A site visit to the Mukobeko Water Works revealed that there were leakages in the water works reservoir pump station resulting in constant flooding of water thereby tremendously reducing water supply pressure in the town area and other compounds. It was noted in this regard that, the Council estimates that over 50 percent of water pumped from Kalulu Water Works to Mukobeko Reservoir Station goes to waste along the trunk through leakages and unserviced old valves in the pump station as shown in the picture below.



Water going to waste due to heavy leakages

(b) **Sewerage Works**

The contracts for the rehabilitation of sewerage system were awarded to nine (9) companies namely; Evacudo ltd, Oban Engineers ltd, Carlchi ltd, Compass Design Engineers Suppliers ltd, Nakasa Import & Export ltd, Chibile General Contractors, ENI- Shackhikuli ltd, Risbel Enterprises ltd, and Jafrahen Investments ltd at a total contract sum of K5,601,055,800 out of which K3,620,972,324 was paid. The works to be undertaken included, among others, unblocking of sewer lines and replacing broken pipes; desludging the sewerage treatment Ponds and repairing pond facilities; desludging the sewerage pumping stations and repairing or replacing sewerage pumps and to carry out general repairs to pumping stations and improve security by constructing fences and providing lighting fittings.

A physical inspection of the selected work sites revealed that there was no significant improvement to the sewer system. For instance, in Bwacha, Chimanimani and Ngungu there was literally no sewer flow in most pipes. It was observed that most of the existing sewer lines infrastructure cannot cope with the current sewer load leading to frequent sewer blockages.

Inquires further revealed that, due to lack of flow of water, sewer pipes have silted (sewer solidification) leading to frequent blockages.

Out of the nine contractors that were engaged for instance, a scrutiny of records in respect of three contractors revealed the following:

(i) **Chimanimani and Ngungu Townships**

The contractor, Evaduco Ltd was contracted to carry out rehabilitation of the Sewer network and sewer treatment works at Chimanimani and Ngungu Townships at contract prices of K359,547,000 and K385,549,000 respectively. The contractor was required to among other works, unblock, flush clean and replace sewer lines in the areas. According to the consultant's reports, works were completed in December, 2003. However, an inspection carried out revealed that there was no improvement to the system. Some Ponds, at Ngungu East and West had over grown vegetation and were completely dry due to lack of sewerage flow resulting in the effluent in the septic tank to be caked and therefore require unblocking again.



Overgrown vegetation – Ngungu sewer ponds

As of November, 2004, the contractor had been paid a total of K694,339,293 out of the certified works valued at K774, 450,225 leaving a balance of K80,110,932.

(ii) Pump Station 2 (Treatment Works)

The contract was awarded to Nakasa Import and Export Ltd for the restoration of the Sewerage Pump Station 2 complete with all electromechanical equipment such as sludge pump and a motor. The contract price was K211, 000,000.



Two installed pumps but not functional

An inspection carried out in November, 2004, revealed that the pumps that were installed were non functional resulting in the failure to pump sewer effluent leading to the effluent in the septic tank to be caked as shown in the picture below.



Caked sewer effluent

As of November, 2004, certified works were valued at K200,450,000 and had since been paid.

(iii) **Kasanda Treatment Plant**

The contract was awarded to Jafrahen Investments Ltd to unblock, flush and clear the 150mm diameter sewer lines and replace broken or stolen manhole covers in Chowa and Kasanda. The contract price was K399,700,000.

A physical inspection of the works revealed that although the works were done according to the specifications in the contract, the plant was not functional. It was also observed that roofing sheets, pipes and all moveable items were vandalised.



Defunct treatment Plant

It was evident from the state of the structure remaining that there was no maintenance programme in place for the Treatment Plant. It is

therefore not clear why the Consultant recommended the plant for emergency works.

Inquiries with Council Engineers revealed that the plant requires major rehabilitation works to bring it to its operational state.

As of November, 2004, certified works were valued at K370,215,000 and had since been paid.

**HEAD : 37/01 - MINISTRY OF FINANCE &
NATIONAL PLANNING
HUMAN RESOURCES AND ADMINISTRATION**

SUBHEADS : - VARIOUS

Accounting Irregularities

30. In paragraph 67 of the Auditor General's report for the financial year ended 31st December 2002, mention was made of a number of irregularities at the Ministry of Finance and National Planning. In particular, specific mention was made on the construction of the Central Statistical Office block, unretired accountable imprests, missing motor vehicles and irregular drawings of fuel.

A recent review of accounting and stores records for the year ended 31 December 2003 revealed the following:

(a) Revenue from Sale of Government Pool Houses

In paragraph 25 of the Auditor General's Report on the accounts for the financial year ended 31st December 2002, mention was made of an amount of K71,931,519 which was misappropriated by an accountant at the Ministry and dishonoured personal cheques in amounts totalling K23,148,164 in respect of payments for pool houses which had not been replaced as of October 2003.

A scrutiny of records in respect of revenue from sale of pool houses revealed weaknesses in that the revenue collections were banked without being entered in the cash book and no reconciliations had been made. In this regard it was noted that where as revenue collected on general receipt numbers 0451 to 0900 between March and May 2003 showed that a total amount of K1,831,024,199 was collected, the bank deposit slips for the same period showed that only K927,369,876 had been banked resulting in an under banking of K903,654,323.

It was also noted that there were eleven (11) personal cheques amounting to K6,230,648 towards the payments for pool houses which were later dishonoured and had not been replaced as of September 2004.

(b) **Unvouched Expenditure**

Payments in amounts totalling K143,582,422.82 involving twenty (20) transactions were unvouched in that they were not supported by relevant documentation such as acquitted pay sheets, receipts, and invoices.

(c) **Stores**

There were no receipt and disposal details in respect of stores items valued at K371,719,091 purchased during the period under review.

(d) **Unretired Imprests**

Imprests amounting to K227,229,070 issued to sixteen (16) officers in May and June 2003 had not been retired as of September 2004.

(e) **Settlement of Outstanding Bills on Behalf of the Ministry of Defence**

On 22nd December 2003, the Ministry of Finance and National Planning settled outstanding salary arrears on behalf of the Ministry of Defence totalling K4, 500,000,000. It was noted however, that no supporting schedules were provided. It was therefore difficult to establish the authenticity of the transaction.

(f) **Transport**

A review of transport records at the Ministry Headquarters revealed the following:

(i) **Procurement of Motor vehicles**

During the period under review, the Ministry procured twelve (12) vehicles at a total cost K1,586,629,169 from Toyota Zambia (11) and CFAO (1). The vehicles were for use by Centralised Computer Services Department (CCSD), Human Resources & Administration (HRA), Planning & Economic Management, and the Internal Audit Department.

It was observed, that no Tender Board Authority was obtained.

(ii) **Repair of GRZ 159 BP – Toyota Landcruiser**

A total amount of K17,665,125 was paid to Efficiency Investments Limited in November 2003 for the repair of Toyota Land cruiser GRZ 159BP. The repairs involved overhauling the engine.

A review of records regarding the repair of the motor vehicle revealed that the motor vehicle was taken to the garage and the payments made without approval by the Ministerial Tender Committee.

A physical inspection of the vehicle in August 2004 and inquiries from the owner of the garage revealed that no engine overhaul had been done and instead the garage was requesting for additional funds amounting to K7,000,000.

(iii) **Motor Vehicles Involved in Road Traffic Accidents**

During the period from July 2003 to June 2004 , six (6) motor vehicles were involved in road traffic accidents. However, no Loss Reports had been processed as of September 2004.

(iii) **Motor Vehicles That Have Overstayed At Garages**

A review of documents provided by the Transport Officer and a physical check at various garages revealed that eight (8) vehicles had been parked at various garages for periods ranging between 6 months and 3 years without being repaired and where the vehicles had been repaired the Ministry had not made any effort to collect them as shown below:

Garage	Motor Vehicle Make	Reg. No.	Duration of stay at Garage	Remarks
Sterling Motors	Toyota Prado	GRZ 911 BM	6 Months	Still not Repaired
“	Nissan Sentra	GRZ 517 BK	9 Months	Services paid for but not repaired
“	Toyota L/Cruiser	GRZ 732 BG	3 years	Services paid for but not repaired; boarded for sale by tender in Sept 2004
Marshal Motors	Toyota L/Cruiser	GRZ 339 BJ	Over 1 year	Services paid for, but not worked on
Efficiency Motors	Toyota L/Cruiser	GRZ 159 BP	9 Months	Not worked on Garage not well secured
Yeti Motors	Hyundai Elantra	GRZ 791 BM	3 years	Already repaired but remained uncollected for 3 years
Autotech	Toyota Prado	GRZ 921 BM	6 Months	Still not repaired
Road Worth Motors	Toyota L/Cruiser	AAN 6021	6 Months	Services paid for, but not worked on

It was noted in this regard that, some of the vehicles although paid for had not been repaired and one vehicle remained uncollected from the Garage for more than six months although it was repaired and paid for.

(iv) Fuel Drawings

Fuel costing K8,848,652 was drawn from the Ministry’s fuel account during the period under review by motor vehicles that did not belong to the Ministry.

(g) CONSTRUCTION OF THE OFFICE BLOCK AT THE CENTRAL STATISTICAL OFFICE (CSO)

In my report of 2002, mention was made to the effect that the Buildings Department at the Ministry of Works and Supply paid Zulu Burrow Ltd a total of K40,000,000 out of K123,136,656 in respect of engineering supervision works done on the project when another

supervising engineer , Katayi and Associates were paid for the same job. This was contrary to the contracted payment arrangements that bound the CSO to effect all payments in respect of the costs arising from the construction project.

A review of records revealed that Zulu Burrow Ltd was paid by both the CSO and the Buildings Department during the period for the same works resulting in a double payment of K60,000,000 as follows:

Cost Statement No.	Cheque No.	Date	CSO K	Buildings Dept K
01	-	26-Jun-03	-	10,000,000
01	000624	22-Sep-03	-	30,000,000
01	000054	03-Dec-03	-	20,000,000
01	004311	15-Dec-03	86,882,490	-
02	004311	15-Dec-03	36,254,167	-
Total			123,136,656	60,000,000

As can be noted from the above table, although the consulting engineer was paid a total amount of K123,136,656 by CSO, Buildings Department paid K60,000,000 to the same consulting engineer for the same works.

HEAD : 37/01 - MINISTRY OF FINANCE AND NATIONAL PLANNING - HEADQUARTERS

SUBHEAD : 203/041 COMPENSATION AND AWARDS

Inadequate Budgetary Provisions for Compensation and Awards

31. In paragraph 60 of the Auditor General's report for the financial year ended 31st December 2000, mention was made of the inadequate provision in the Estimates of Revenue and Expenditure to meet compensations and awards. In this regard, whereas a provision of K10,000,000,000 was made in the Estimates of Revenue and Expenditure for the year 2000, the total amount claimed was K27,985,562,485 out of which only K9,256,337,337 had been settled as of December 2000 leaving a balance K18,729,225,148.

A review of the movement in the Compensation and Awards debt stock in September 2004 revealed that the balance brought forward in January 2003 was K65,511,075,371 and only K22,000,000,000 was provided for during the year ended 31st December 2003. As at 31st December 2003, the debt had increased to K74,075,486,243 as shown below:

K	
Balance as at 1st January 2003	65,511,075,371
Compensations incurred during the year	<u>25,500,174,587</u>
	91,011,249,958
Payments made during the year	<u>(16,935,763,715)</u>
Balance as at 31st December 2003	<u><u>74,075,486,243</u></u>

In view of the number of claims against government and the magnitude of the money involved, there was need for the Government to make adequate provisions in the budget to avoid the escalation of the debt.

**HEAD : 51/01 - MINISTRY OF COMMUNICATIONS
AND TRANSPORT - HEADQUARTERS**

SUBHEADS : - VARIOUS

Accounting Irregularities

32. During the Financial year ended 31st December 2003, a total provision of K17,075,198,491 was made in the Estimates of Revenue and Expenditure out of which K10,736,204,755 was released.

An examination of financial and stores records and other relevant documents for the financial year ended 31st December, 2003 maintained at the Ministry of Communications and Transport Headquarters revealed the following:

(a) Misapplication of funds

In December 2003, the Ministry was funded a total amount of K513,804,212 for the rehabilitation of aircraft (K213,804,212) and canals and waterways (K300,000,000).

Contrary to financial regulations, It was observed that seventy eight (78) payments in amounts totalling K273,207,507 were paid from the capital funds on 31st December 2003 to meet personal emoluments such as leave travel benefits, long service bonus, repatriation, loans, advances etc, apparently to avoid surrender of funds at the end of the year.

Consequently, projects for which the funds were released had not been undertaken as of June 2004.

(b) **Failure to follow tender procedures**

During the year 2003, a total amount of K 277,188,660 was paid to various garages for the service and repair of motor vehicles. It was observed that tender procedures were not followed in that the Ministerial Tender Committee did not approve the transactions contrary to Zambia National Tender Board Circular number 3 of 2002.

In September, 2002 an amount of K37, 070,038 was paid to Action Auto Ltd for the supply of a Motor Vehicle Isuzu KB 250 Double Cab. The vehicle was purchased without Plant, Vehicle and Equipment Committee Authority from Cabinet Office contrary to Cabinet Office Circular No 2 of 2001 and Zambia National Tender Board Act.

(c) **Purchase of goods**

During the year 2003, there were twenty three (23) payments in amounts totalling K82,812,250, for the purchase of various goods, made to Companies not on the approved register of Suppliers for 2003 to 2004.

There were also no receipts and disposal details in respect of twenty five (25) transactions in amounts totalling K84, 324,000 made between January and December, 2003.

(d) **Irregular payment of fuel allowances (K61, 726,040)**

Seventy-one (71) payments in amounts totalling K61, 726,040 in respect of Fuel allowances were paid to officers below the rank of Permanent Secretary contrary to Cabinet Office circular No. 21 of 1993 and No.3 of 2002.

(e) **Double Payments Of Allowances (K27, 250,000)**

According to Cabinet office Circular No 3 of 2002, Electricity and Water allowances are paid to Cabinet Ministers (K700, 000), Deputy Ministers (K600, 000) and K300, 000 for water and K750, 000 as Telephone Allowances across the board. A total amount of K27, 250,000 was paid; electricity (K10, 550,000); Water (K4, 800,000); and Telephone (K11, 900,000) as allowances to a Cabinet Minister and two Deputy Ministers by the Ministry during the period from March to May 2003. A further check at the Ministry of Finance and National Planning (HQ) in May, 2004 revealed that a total amount of K13, 400,000 in Electricity (K5Million), Water (K2.4 Million) and Telephone (K6Million) were also paid to the same officials by the Ministry of Finance and National Planning during the same period. The double payments of allowances to the officials were irregular and had not been recovered as of May, 2004.

(f) **Non - remittance of Withholding Tax**

It was observed during the period from 13th May 2003 to 19th June 2003 that one hundred and thirty two (132) payments in respect of rentals for the staff at the Ministry of Communications and Transport made to various landlords for which 15 percent withholding Tax (K21,441,176) though deducted had not been remitted to the Zambia Revenue Authority (ZRA).

Unretired Imprest

According to the imprest records made available, imprests issued to various officers between January to December 2003 in amounts totalling K84, 848,310 had not been retired as of June, 2004 contrary to financial regulations.

(g) **Unvouched Expenditure**

During the period from February to December 2003, there were thirty four (34) payment vouchers in amounts totalling K84, 248,607 which were missing, and thirty five payments in amounts totalling K220, 478,430 had no supporting documents.

(I) **Weaknesses In The Management Of Transport**

An examination of records relating to management of transport at the Ministry Headquarters revealed persistent weaknesses in the management of transport in that vehicles were not regularly insured; there were several cases where neither police nor loss reports were processed for vehicles involved in road traffic accidents; some vehicles were cannibalised without authorisation. In particular, the following were observed:

- (i) On 2nd November, 2001 a Mitsubishi Pajero (Station Wagon) GRZ 352 BM which was not insured was involved in a road traffic accident along Lumumba road, in Lusaka. The vehicle was extensively damaged and as of June, 2004 the engine of the vehicle had been removed and fitted into vehicle, GRZ 148 BL, without authority of the Ministry of Works and Supply contrary to Circular /Minute No 1 of 2001 loss report had been processed as of July 2004.
- (ii) A Nissan Terrano, GRZ 348 BS was involved in a road traffic accident in March, 2004, while being driven by a Deputy Minister. The Deputy Minister was charged for careless driving by the police. The vehicle was extensively damaged and had not been insured at the time of the accident. The vehicle was still parked at the Ministry Headquarters and no loss report forms had been processed and submitted to the Standing Accidents Board as of July, 2004.
- (iii) A Toyota Land cruiser GRZ 940 BM was involved in a road traffic accident in 1999 while being driven by the then Minister of Communication and Transport while visiting his Constituency in Zambezi. The vehicle was extensively damaged and had not been insured. As of July 2004, there were no reports on police findings, and a loss report was not processed.

- (iv) A Land Rover Discovery which had just been acquired and whose cost could not be ascertained was involved in a road traffic accident in Mpongwe in 1996 while being driven by the then Minister. The vehicle, which was neither insured nor registered at the time of accident, was damaged beyond repair. No loss reports had been processed as of July, 2004. It was further observed that later the engine was removed and fitted to GRZ 449 BK without authority from the Ministry of Works and Supply, contrary to minute Circular No 1 of 2001 which stipulates that change of engines can only be done with authority and approval of the Secretary to the Treasury in consultation with the Controller of Government Transport.

- (v) According to records obtained from the Standing Accidents Board, it was observed that during the period 2000 to 2004, the Ministry had thirteen (13) vehicles that were involved in road traffic accidents whose cases had not been processed by the Standing Accidents Board due to lack of sufficient information such as loss reports, Police reports, repair costs and traffic accident report forms ME1 (a) (i) and (ii) from the Ministry.

A Toyota Landcruiser GRZ 938 BH had its engine and some parts removed and fitted to GRZ 966 BE contrary to Ministry of Works and Supply Circular number 1 of 2001.

(J) Grants

The Ministry oversees the operations of six (6) grant aided Institutions on behalf of the Government and these are National Road Safety Council, Government Communication Flight, Bangweulu Water Transport, Mweru Water Transport, Post Boat Bangweulu and Post Boat Zambezi River. During the period under review, a total of K1, 304,480,996 was budgeted for the Institutions out of which K1,234,574,224 was released by Budget Office. Out of the amounts released, only K580,718,075 was disbursed leaving a balance of K659,817,349. No explanation was given for the failure to release the balances to the Institutions.

HEAD : 51/01 - MINISTRY OF COMMUNICATION AND TRANSPORT- HEADQUARTERS

SUBHEAD : 502/001- CHIPATA/M'CHINJI RAILWAY LINE PROJECT

Delays In Completion Of Chipata/M'chinji Rail Line

33. In paragraph 179 of the Auditor General's report for the financial year ended 31st December, 1987 mention was made of the construction of a 24Km railway line from Chipata to M'chinji. The project was estimated to cost K14,000,000 out of which only an amount of K3,167,931 was released. However, only a stretch of 3.5Km was constructed and there after the project was abandoned.

A review of accounting records and a site visit made to the Project in June, 2004 revealed the following observations:

(a) Revival of the Project

In 1992, the Government decided to take over the project through the Ministry of Communication and Transport. Consequently a Project Manager was engaged to oversee it's smooth implementation.

A scrutiny of records relating to the progress on the revived project revealed that as of December 1998, the Government had made additional releases in amounts totalling K476,698,000 and thus bringing the total amounts released to K479,865,931 through grants to the project. The works done as of June 2004 included among others, construction of 3.5 km rail line; railway formation for the entire stretch of 24 km; procurement of the ballast sufficient to cover the whole stretch; construction of 24 houses, a station building and a 10 bed roomed rest house. In addition, three vehicles namely, a 10-tonne Mitsubishi truck GRZ 600 BF, Land cruiser Pick-up GRZ 646 BF and a Land rover 110; stocks of furniture, typewriters; filling cabinets and donated materials (rail lines and steel sleepers) whose prices could not be ascertained due to lack of records were purchased for the project.

(b) ENGAGEMENT OF CONSULTANTS

- (i) In an effort to ensure that the project was completed, the Government in 1997 approached V3 Consulting Engineers of South Africa to take up the project on the Build Operate and Transfer (BOT) basis. In this regard, in 1999,

Zambia National Tender Board granted authority to allow the Ministry of Communication and Transport to sign a Memorandum Of Understanding (MOU) with V3 Consulting Engineers to carry out a feasibility study and construct a railway line from Chipata to the Tanzania Zambia Railway line (Tazara) on BOT basis. In their study; V3 Engineers indicated that, to complete the project and rehabilitate the existing infrastructure, it would cost US\$10,365,654 and advised that the Chipata/Muchinji Railway Line Project was not economically viable unless it was linked to the Tazara.

In order to link the Chipata/M'chinji Railway Line, it was agreed that the Government secures 40 percent towards the cost of the project and 60 percent be secured by V3 Engineers Ltd. However, the Government failed to secure the 40 percent of the cost and consequently the funds were not released and therefore the project could not take off.

- (ii) In April, 2002, the Secretary to Cabinet granted authority to constitute an Inter-ministerial Task Force to over-see and review the completion of the Chipata/Mchinji Railway Line Project and advise the Government on the best way forward regarding the Project. Among other recommendations, the team advised the Government to revive the idea by V3 consulting Engineer to construct the railway line from Mchinji to Tazara via Chipata. Consequently, a provision of K2.6 billion was made in the Estimates of Revenue and Expenditure for 2002 to finance construction works under TAZARA. This development was part of the wider NACALA Development Corridor Initiative involving Malawi, Mozambique and Zambia.

However, the funds were not released by the Ministry of Finance and National Planning to complete the Project and therefore it could not take off.

- (iii) In 2003, another Memorandum Of Understanding (MOU) was signed, this time, between the Ministry of Finance and National Planning (MoFNP) on behalf of the Government of the Republic of Zambia and Edlow Resources Limited (ERL) of America to construct and operate the Chipata/M'chinji Railway Extension and construct and operate a Dry Terminal near Chipata at a cost of US \$15million. According to the terms of the MOU, the Government was to grant a 30-year concession to ERL and its partners to exclusively operate the

rail line from the Malawi border to Chipata and to manage the dry terminal at Chipata.

However, from the records made available, it was clear that the MOU signed with Edlow was done without the knowledge of the Ministry of Communications and Transport, who earlier in 1999 had signed another MOU with V3 Consulting Engineers of South Africa for the same Project. There was also no record at the Ministry to show that the Zambia National Tender Board granted authority to single source the engagement of ERL.

Inquiries further revealed that V3 Consulting Engineers are contesting the decision by the Government to engage ERL. According to the available correspondence, a total amount of US\$1,335,000 had been incurred by V3 on feasibility studies and other works. As of June, 2004, the matter had not been fully resolved.

The propriety of signing two MOUs with two different foreign companies for the same project is questionable and has greatly contributed to the Project being stalled.

(c) **PROPERTIES**

A physical inspection carried out in Chipata in June, 2004 of the properties constructed under the project revealed the following observations:

(i) **Railway formation and Station Building**

The railway formation costing K8,741,267 had been done in 1987 to cover the 24km stretch and the station building had been constructed at a cost of K3,864,162 in 1990. However, due to lack of maintenance and adequate security, the station building had been vandalised and was dilapidated while the railway formation had been run down.



Railway Station Platform (Zambian Side)



Eroded culvert along the 24KM formation (Zambian side).

A comparison with the station building in M'chinji in Malawi showed that the structure constructed in 1982, though not in use, was intact and was in a fairly good condition.



Constructed Railway Station in Malawi



Unused Rail-line constructed in 1982-1984 (Malawi)

(ii) **Housing Units**

During the period from 1983 to 1993, the Project constructed 24 housing units and one hostel block comprising 10 Bedrooms which were constructed at a cost of K18,916,399. The housing units were for occupation by members of staff while the hostel block for use by the travelling public.

A site visit in June 2004 and inquiries made revealed that out of the 24 housing units constructed for staff, only 3 were occupied by project staff while the remaining 21 were rented out to members of the public by the Project Manager at rates ranging from K100,000 to K200,000. It was further observed that although the rental value of the hostel block was fixed at

K500,000, the block had not been occupied as of June 2004 due lack of market.

According to the records made available by the Project Manager, a total amount of K174,071,287 was receivable during the period from 1995 to 2003 although the houses had not been valued for rent purposes since 1999. It was further observed that out of the total amount receivable, only K157,116,264 had been received as of June 2004. The amount received was utilised on payment of advances and salaries to the three members of staff.

The failure to complete the Project has now meant that the housing units are now being used for other purposes while the hostel block has remained idle. This may result in the buildings being vandalised.



Disused Hostel Block – Chipata (Front View).



Type of housing unit rented out at K200,000 per month – Chipata



Type of housing unit rented out at K100,000 per month- Chipata

(d) **Motor Vehicles**

A physical inspection of the three vehicles purchased by the project revealed that the Land cruiser Pick-Up and the Land rover 110 were both non-runners and had been earmarked for boarding. In the case of the Mitsubishi truck, it was explained that it was also a non runner and was marooned in Lundazi. Further inquiries revealed that all the three vehicles had been non runners for more than ten years.

(e) **Furniture and Office Equipment**

There were stocks of furniture, electric typewriters, filing cabinets and tools which were not working and needed repair. Furthermore, the assets register had not been updated.

(f) **Materials on site**

There were stock piles of steel sleepers at the station building and ballast adequate to cover 80 percent of the track that had been stock piled along the rail formation. However, due to inadequate security the materials were being stolen. Although the cases were being reported to the Police there were no reports on police findings.



Ballast material left on site which follows formation of rail track.



Unused steel sleepers stockpiled at the station.

Although the 3.5 Km rail line was constructed, it was observed that the construction was not in line with the Southern African Development Community (SADC) standards which require the use of 40Kg rails constructed on concrete sleepers (used on Malawian side) instead of the 30 kg class “A” rail constructed on steel sleepers on the Zambian side.



30kg rail line constructed on class ‘A’ steel sleepers (Zambia).



40kg rail-line constructed on concrete sleepers (Malawi).

It is therefore likely that the works done on the 3.5Km stretch will have to be redone at a greater cost in order to bring it to SADC standards and in line with the rail line constructed on the Malawian side.

**HEAD : 51/02 - MINISTRY OF COMMUNICATION &
TRANSPORT
DEPARTMENT OF CIVIL AVIATION**

SUBHEAD : 502/014 - CHIPATA AIRPORT

Rehabilitation Of Chipata Airport

34. In the Estimates of Revenue and Expenditure for the financial years 2001 to 2004, budget provisions totalling K1,469,764,476 were made for the rehabilitation of Chipata Airport which had closed down in 2001 due to lack of maintenance. It was observed that, amounts totalling K1,168,322,937 were released between 2001 and 2004 towards the rehabilitation works.

In this regard, the Ministry of Communications and Transport in September 2001 invited tenders for the rehabilitation of the airport and four (4) companies responded by submitting their bids as follows:

<u>Company</u>	<u>Amt (K)</u>
G M International	2, 262,635,913
J J Lowe	1, 858,460,300
T C Turner	1, 035,310,500
ZIAH's Construction	811, 388,025

Consequently, after the evaluation of the bids, ZIAH's Construction was awarded the contract having offered the lowest bid and was a Chipata based contractor. In this regard, in September 2001, the Ministry signed a contract with ZIAH's Construction for the rehabilitation of the airport at a contract price of K811,388,025. However, the contract price was later revised to K1,371,388,025. The revision was made to take into account the correct specifications on slurry sealing and laying of concrete markers on the aprons which were understated in the original bid. The understatement was due to

the fact that no expert advice from Department of Civil Aviation was sought in the initial stage of bid document preparation.

The works involved, inter-alia, the supply and laying of gravel for runway turning loop; clearing and grubbing of vegetation areas; reshaping and grading of main and emergency runway; and slurry sealing of the entire runway. The contract was for a period of 60 days and the contractor moved to site on 22nd September 2001. According to the contract, a down payment of 30 percent of the contract price was to be paid as deposit.

A review of the financial records disclosed the following unsatisfactory features:

- (a) An amount of K240,000,000 was paid to the contractor on 26th September 2001 as a deposit and an additional amount of K60,000,000 was paid in November 2001 for completed works thus bringing the total amount paid to the contractor in 2001 to K300,000,000. A review of the works done in 2001 disclosed that the contractor had, among other things, completed earth works on the runway and had primed the surface of the runway in readiness for slurry sealing at which stage, work stalled in November 2001 awaiting further payments for completed and certified works by the Ministry.
- (b) Between 2002 and 2004, the contractor received payments in amounts totalling K868,322,937 for completed works and thus bringing the total payments made to the contractor to K1,168,322,937. These payments were treated as final settlement for completed and certified works as claimed by the contractor against the revised contract price of K1,371,388,025.
- (c) Although the initial and revised contract prices were beyond the Ministerial Tender Committee threshold of K500,000,000, there was no evidence that authority was sought from the Zambia National Tender Board.
- (d) The rehabilitation of the Airport was completed in January, 2003, 16 months over the contracted period of two months. Although no provision was made for the rehabilitation works in the Estimates of Revenue and Expenditure for 2003, the Ministry paid the contractor an amount of K24,416,662 in December 2003. The expenditure was charged to a below the line code instead of charging it to the above the line code. It was clear that the expenditure was not captured in the Financial Statements for 2003.



Washed away portion of the gravel main way.



Deteriorated surface runway



Poorly rehabilitated runway which led to additional works (slurry sealing)

The physical inspection of the rehabilitation works at Chipata Airport carried out in June 2004 revealed that although the rehabilitation of the Airport were completed in January, 2003 and that it was operational, it had not yet been commissioned as of July, 2004. It was also observed that:

- (i) The slurry seal, in some parts, had not dried up completely resulting in dents being made by aircrafts as well as motor vehicles when turning on the taxi-way.

Drainage system was poor in that the edges of the runway were being eroded.

- (ii) Wrong mixtures of paint were used on Markers at the threshold of runway 18 resulting in peeling-off due to chemical reaction of the paint with the slurry seal applied.
- (iii) Grass and shrubs had overgrown on the grass runway and therefore could not be used for emergency landing.



Paint peeling off due to chemical reaction at runway 18

**HEAD : 51/04 - MINISTRY COMMUNICATIONS
AND TRANSPORT MARITIME AND
INLANDS WATERS**

**SUBHEAD : 405/020 - LUAPULA PROVINCE
CANALS DEVELOPMENT AND
MAINTENANCE**

Maintenance And Rehabilitation Of Canals And Channels

35. In 2002 and 2003, total provisions of K500,000,000 and K250,000,000 were made in the Estimates of Revenue and Expenditure for the development and maintenance of canals in Luapula Province. Out of the total provision for 2002, K300,000,000 was released and the whole amount of K250,000,000 for 2003.

An examination of financial and stores records and site visits in October 2004 revealed the following:

(a) Maintenance of Canals

In 2002, the Provincial Roads Engineer (PRE) awarded contracts to seven (7) contractors for the rehabilitation and maintenance of canals in the province at a total cost K125,254,057 as shown below;

<u>Canal/Channel</u>	<u>Contractor</u>	<u>Contract Price</u>	<u>Chq No.</u>	<u>Amount Paid</u>
Kapampi-Chisenga	Tinta-Lukasu	17,541,843	000108	16,706,518
Kafubashi-Chishikishi [lot 1]	Twabomba Enterprise.	25,042,657		
Kafubashi-Chishikishi [lot 2]	J.M Import & Export	23,610,125		
Kunkula-Buchinda	Samfya Hardware	11,436,682	000101	11,436,862
Kampolombo-Kalasangukoso	Bubu Trading	16,408,875	000057	14,064,750
Chikuba-Kalunga	Gracal-Kalungu	22,454,250	000102	22,454,250
Kallimankonde-Itala	Mbabubo General Dealers	8,759,625	000056	7,578,045
		<u>125,254,057</u>		<u>72,240,425</u>

It was observed that although the PRE was performing the works on behalf of the Ministry of Communication and Transport, there was no communication between the two institutions. Consequently, the Ministry of Communications and Transport in 2002 released K10,000,000 directly to the Mweru Water Transport Board for clearing and rehabilitation of the Kapampi-Chisenga canal. However, despite the fact that the works were already in progress on the canal, the PRE engaged another contractor at a contract sum of K17,514,843 for the same works. The contractor had been paid a total amount of K16,706,518 as of December 2002.

The contracts were awarded without authority from the Permanent Secretary, Ministry of Communications and Transport.

Site visits made in October 2004 to nine (9) selected canals and channels in Nchelenge (Kapampi-Chipashi, Kanyembo-Luapula, Shabo-Chisenga) Kawambwa (Ngona-Chipepa, Mushota-Chama, Chipepa-Chipita) and Samfya (Chikuba-Kalundu, Chisanka-Bwalya Mponda, Nsamba-Mutwamina) revealed that the canals were either blocked due to silting or overgrown with weeds. This was despite the PRE engaging some contractors to work on some of the canals.

(b) Recruitment Of Casual Workers And Payment Of Wages

During the period under review, the District Commissioners in Kawambwa, Nchelenge and Samfya recruited casual workers to work on the canals and channels in their respective districts. The names of the workers were to be forwarded to the Provincial Accounting Unit in Mansa for payment. A review of records pertaining to the payment of wages revealed the following:

- (i) Wage sheets with amount totalling K152,719,201 were missing and therefore the validity of the payments could not be verified.
- (ii) 448 workers employed in Nchelenge were overpaid by K6,938,000 for which no loss report had been processed as of October 2004.
- (iii) A reconciliation of employment records of casual workers maintained at Mweru Water Transport and the Provincial Accounting Unit disclosed a difference of 147 casual workers who were paid a sum of K15,890,000.

(c) Removal of the Dredging Machine

In November 1999, a Water Master Dredging Machine valued at K365,000,000 which was used by Mweru Water Transport for clearing the canals was taken to Ndola by the Ministry of Communication and Transport to clear the weeds which were clogging the Kafubu River. The dredger was to be in Ndola for a period of two (2) months only.

A site visit made in Nchelenge in October 2004 revealed that the dredger had not been returned. A verification made in Ndola revealed that the dredger was used by a group of private businessmen at no fee until March 2004 when it was removed by Ministry officials to an unknown location. It was further noted that the accessories and spares for the dredger had been stolen by the machine operators and no loss report had been raised as of October 2004.

The removal of the dredger has made it difficult to keep the canals and channels clear of weeds.

(d) **Unretired Imprests**

A total amount of K50,920,680 paid as imprests during the period from October to December 2003 to five (5) officers for purchase of tools and payments to casual labour force engaged on the canal and channel clearing exercise had not been retired as of October 2004 contrary to the requirement of financial regulations.

(e) **Missing Payment Vouchers**

Five (5) payment vouchers in amounts totalling K140,769,540 in respect of imprest and wages to casual labour employees recruited for canal and channel clearing exercises were missing.

**HEAD : 51/06 - MINISTRY OF COMMUNICATION
AND TRANSPORT
ROAD TRAFFIC COMMISSION**

SUBHEAD : 502/003 - PROJECTS COMPUTERISATION

Delays in the Completion of the Computerisation Of Zambia Transport Information System (ZAMTIS)

36. During the period from 2001 to 2003, budget provisions in amounts totalling K3,800,000,000, comprising K2,000,000,000 in 2001, K800,000,000 in 2002 as supplementary and K1,000,000,000 in 2003 were made for the computerization of the operations of the Road Traffic Commission under the Zambia Transport Information System (ZAMTIS) project. The programme was aimed at networking all sixteen (16) regional offices and nine (9) border posts to the central database at Headquarters in Lusaka in order to enhance revenue collection. The supplementary provision of K800,000,000 made in 2002 was meant for the purchase of a building to house the installation of equipment under the programme. Financial records made available revealed, only an amount of K800,000,000 for the purchase of the building was directly released to the Ministry of Communication and Transport. According to the then existing arrangement, all payments involving foreign currency transactions involving the Government would be made by the Bank of Zambia upon receipt of written instructions by the Ministry concerned. However, in 2002, this function was transferred by the Bank of Zambia to commercial banks.

In order to embark on the project, the Ministry of Communications and Transport requested the Zambia National Tender Board (ZNTB) to invite tenders for the Project and five Companies responded as follows:

	<u>BID SUM</u>	
	<u>K</u>	<u>US\$</u>
DCMD Consulting Business	16,125,000,000	4,300,000
Business Computers (Z) ltd	1,717,132,312	457,902
Face Technology (PTY) ltd	19,875,000,000	5,300,000
Choice Technologies	778,238,100	207,530
Face of Change ltd	131,570,000	301,752

After the evaluation of the tenders, FACE TECHNOLOGY (Pty) Ltd was recommended despite being the highest bidder. The company was selected on the basis that it had earlier installed the SADC Driving Licenses system at the Department of Road Traffic in 1998.

In this regard, in November 2001, authority was given by the Zambia National Tender Board (ZNTB) to award the contract to FACE TECHNOLOGY LTD of South Africa. Consequently, in December, 2001 a contract was signed between the Ministry and Face Technology for the up grading of Computerized SADC Driving License and Computerization of Motor Vehicle Registration at a contract price of K19, 875,000,000 (US\$5,300,000) for a period of 2 years. The payments to the contractor were to be 10% upon signing of the agreement and 90% was to be paid on a monthly basis from the revenue collected. The arrangement was that, Face Technology Ltd would on a monthly basis invoice Ministry of Communication and Transport requesting for their 50 percent share of the revenue collections for the previous month. The Ministry would in turn request Bank of Zambia to transfer the requested amount to the Ministry's mirror account maintained with Finance Bank, Corporate Branch, for onward transfer to the contractor.

An examination of stores and financial records and visits to the sites in June 2004, revealed the following:

- (a) Between December 2001 and July 2004, the contractor received payments in amounts totalling K11,073,866,411 against the contract price of K19,875,000,000 leaving a balance of K8,801,133,589.
- (b) A further analysis of the payments made to the contractor revealed that contrary to the agreement, the contractor was paid an amount of US\$ 410,256 (K1,600,000,000) on 31st December, 2001 instead of the required US\$530,000 (K1,987,500,000) being the required

10% deposit of the contract price and thus leaving a balance of US\$119,744 (K387,500,000) which was settled in July 2002 (6 months after signing the contract).

- (c) It was further observed that payments totalling K9,086,366,441 were made out of revenue collections of K15,270,703,298 collected by the Department between July 2002 and June 2004 from Lusaka based collection points although Appropriation-in-Aid had been abolished. The appropriation of revenue before being banked into Revenue Main Account (control 99) resulted in the Ministry incurring excess expenditure of K2,400,557,898 in the financial year ended 31st December 2003 against the total provision and the amounts released by the Ministry of Finance as shown in the table below:

(a) Approved Provision K	(b) Released Amount K	(c) Actual Expenditure K	Excess Expenditure (2003)	
			(a-c) K	(b-c) K
1,000,000,000	1,014,123,773	3,400,557,898	2,400,557,898	2,386,434,125

It is evident from the above that the moneys spent in excess were from the revenue collections and no treasury authority was obtained to cover the excess expenditure.

- (d) Due to poor feasibility studies, the need to have supply and delivery of additional equipment such as satellite installation including the housing of the equipment were omitted in the original contract. Consequently, two additional contracts were signed with Face Technology and Electrical Maintenance Ltd (EML) for the above works respectively. In particular, it was observed that:
- (i) In January 2003, a contract was signed with FACE TECHNOLOGY (Pty) LTD for supply and delivery of additional equipment such as Satellite installations at all 16 Regional offices and 9 border posts at a contract price of US\$1,089,708 (K5,012,656,800) without tender board authority. The Ministry only referred the matter to the ZNTB for ratification in December 2003, eleven (11) months after signing the contract. According to the contract, the contractor was required to refurbish 16 regional offices and construct new Offices at Kazungula, Chirundu, Nakonde border posts and Ndola Regional Office.

- (ii) Although payments relating to the works formed part of the K9,086,366,411 paid to the contractor under computerization programme, the contractor had only rehabilitated and installed equipment in Lusaka and Kitwe Offices as of September 2004. The fourteen (14) regional offices had not yet been refurbished and equipped while construction of new offices at Chirundu, Nakonde and Ndola had not yet started.
- (iii) The Road Traffic Commission paid Electrical Maintenance Limited (EML) a total of US\$210,000 (K976, 500,000) between August and October 2002 for the purchase of the building on stand No. 5124, Lumumba Road. The building was to house equipment which was to link all stations and border posts to the central network data base in Lusaka.

An examination of payment vouchers and other relevant records relating to the purchase of the Property revealed the following:

- ◆ Although the Ministry's tender threshold was only K500 Million, the Ministry went ahead to purchase the building at a cost of K976,500,000 without authority from the Zambia National Tender Board. It was further observed that the amount spent on purchase of the building was K176,500,000 above the authorized budget provision of K800,000,000. The source of the K176,500,000 could not be explained.
 - ◆ In March 2002, the Government Valuation Department valued the Property at a Market value of K460 Million (US\$98,295), however the Ministry, in October 2002, bought the building at K976,500,000 (US\$210,000). The purchase price was K516,500,000 (US\$111,075) more than government valuation price.
- (iv) At the time FACE TECHNOLOGY (Pty) Ltd procured and supplied the equipment, office accommodation was not available. Consequently the equipment could not be installed as no accommodation was available until twelve (12) months later. This delayed the programme.
 - (v) A physical inspections carried out in June, 2004 in Lusaka (RTC Headquarters), Kitwe, Ndola, Livingstone, Kazungula, Chipata and Mwami offices revealed that only Lusaka and Kitwe offices had been completed and were operational.

Location of the Lumumba RTC Office

37. A physical inspection of the building and equipment revealed that the building was an old warehouse structure which needed various alterations and repairs to meet the required purpose. It was also observed that there was no consultation with IT experts as to the suitability and the location of the building. In this regard, due to the untarred road in front of the building, an unusually high amount of dust accumulates inside the building therefore posing a threat to the equipment. It was also observed that the drainage system around the premises was poor leading to the building's surroundings flooding during the rain season. For instance, in December 2003, the building experienced floods and power interruptions. The major cause of the flooding was due to the leakage along the dislodged boundary Wall between ZAMTIS and ARO ENGINEERING Ltd. The flooding caused damage to some documents and the power interruptions incapacitated the operations of the Computer system.



Dust road in front of RTC building along Lumumba Road

As of November, 2004, no assessment had been done to determine the extent of the damage and the effect on the revenue collection.

Livingstone Office

38. The Department has no office buildings of its own in Livingstone but is accommodated in a building belonging to Government Stores. It was noted that the two offices allocated to the department have been renovated and painted. However, the reinforcement of the ceiling is not Security proof as a burglar could break in. Electricity has been connected by the Zambia

Electricity Supply Corporation (ZESCO) only to two offices where new equipment will be installed while the rest of the building has no power.



Front view of rehabilitated Livingstone TRC office

Security

39. The Security of the building at the Livingstone office is also a source of worry as the offices are situated in an isolated place where there are no activities after 17.00 Hrs. There is no wall fence and no security guards.





Part of the dilapidated building housing RTC and Government Stores

At the pace at which the project is moving, it is clear that it will go far beyond the specified contract period of two years. For instance, as of November, 2004 the project was in its third year and only two out of the twenty-five (25) offices had been completed and were operational. As the contract is pegged in US\$ Dollars, the Government will spend a lot more in local currency due to this delay and constant fluctuation of the Kwacha against foreign currency. There is therefore need for government to put interventions aimed at speeding up the pace of the project so that value for money is realized through enhanced revenue collections.

**HEAD : 64/03 - MINISTRY OF WORKS AND
SUPPLY - ROADS DEPARTMENT**

SUBHEAD : 502/040 - MONGU – KALABO ROAD

Construction of Mongu – Kalabo Road

40. In September 2001 DIWI Consult International, a Germany firm of consultants were engaged to carry out feasibility studies on the proposed project. At the end of the feasibility study DIWI Consult International recommended that the project was economically viable. The same firm of consultants was engaged to prepare tender documents and supervise the construction works.

According to the agreement, the project was to be financed as follows:

	<u>%</u>	<u>US\$</u>
Arab Bank for Economic Development in Africa	41	10,700,000
Kuwait for Arab Economic Development in Africa	33	10,000,000
Organisation of Petroleum Exporting Countries	16	4,000,000
Government of the Republic of Zambia	10	2,631,000

In February 2002, the Zambia National Tender Board invited companies to submit bids for the project. In this regard, thirteen (13) companies submitted the bids, but after evaluation only six (6) companies were pre-qualified to participate as follows:

Name of Tenderer	ZMK
Grinaker – LTA Limited	131,251,071,826
Mota & Companhia	143,234,530,885
Basil Read	155,020,365,827
Mohammed Abdulmohsin & Sons	145,394,448,147
Alghanim International	144,150,000,000
Consolidated Contractors Company (Kuwait)	138,447,033,954

The tenders were evaluated and the contract was awarded to Consolidated Contractors Company (CCC) at a negotiated contract price of K135,646,112,006 (US\$37,401,252). According to the agreement, the contract was to be executed in stages as follows:

	<u>ZMK</u>	<u>US\$</u>
Stage A (up to sub grade level)	90,331,250,100	24,906,735
Stage B (up to surfacing level)	45,314,861,906	12,494,516
Total	<u>135,646,112,006</u>	<u>37,401,251</u>

The contract between the Ministry and CCC was signed on 31st July 2002 and the contractor moved to site and commenced work on 6th August 2002. The expected completion dates were, Stage A, 5th August 2004 and Stage B, 5th February 2005.

The works, among others, involved the construction of 74 Kilometres (Km) from Kalabo to Mongu. Approximately 34Km of the road was in the Zambezi flood plain and this required high embankments of 3 to 5 meters in height. The road was to be constructed to class 1c bituminous standard. In this regard, stage A of the contract involved bringing the road to sub-grade level while stage B involved bringing the road to surface level.

A scrutiny of financial records, the Engineer's Progress Report and a visit to the project site in May 2004 revealed the following:

- (a) As of May 2004, a total amount of K77,736,200,006 out of the total contract price of K135,646,112,006 had been paid to the contractor, leaving a balance of K57,909,911,576. The payment was part of the total certified works valued at K81,337,944,459.
- (b) A further analysis of the total payments made to the contractor revealed that an amount of K2,269,415,232 was in respect of interest claimed by the contractor due to delays by both the cooperating partners and GRZ in settling the certified completed works.
- (c) A reconciliation of certificates submitted to the Ministry and the payments made between August 2002 and March 2004 revealed that an amount of K1,569,944,034 in respect of 10% value of certified works was submitted to the Ministry of Works and Supply for settlement, out of which an amount of K1,692,660,000 was paid resulting in an overpayment of K89,081,546. The overpayment had not been recovered as of August 2004.
- (d) A visit to the project site in May 2004 revealed that although the sections of the fill within the flood plain, pipe culverts and pavement construction plan had been partly completed in October/November, 2003 they were washed away in March 2004 and needed reconstruction. The major cause of the wash away was that the contractor had not protected the works from erosions. As of August, 2004 the works had not been redone and the costs of redoing the work had not been calculated by the contractor for the purpose of insurance claim.
- (e) In August 2004, the contractor terminated the contract and abandoned the works due to delays by the Government in payment of the outstanding amount of K7,545,358,439 inclusive of interest. The outstanding amount was later settled in August 2004. It was however observed that instead of settling K7,545,358,439 the Ministry paid an amount of K7,684,439,851 resulting in an overpayment of K139,081,412. The amount was paid in two instalments K7,000,000,000 on 19th August 2004 and K684,439,851, on 20th August 2004 when the contractor abandoned the works.

It was observed that although the outstanding amount was paid, the contractor had not started work as of September 2004. It was further observed that although the first stage of the project which involved gravelling up to sub grade level was to be completed by 5th August, 2004, it had not been completed as of September 2004.



The beginning of the Mongu-Kalabo road at Mulamba Harbour



The portion of the road that remained after the road was washed away.



Portion of the washed away road

The washing away of the road after the payment of K77,736,200,006 to the contractor is a waste of public funds as more resources will have to be found for the same project.

In his response dated 13th December 2004, the Controlling Officer stated that “the completion date for the project after going through the stoppage due to dispute has been thrown into disarray. The Government has been negotiating with CCC to resume work since August 2004 and the prospects for the contractor to resume works and complete the contract in the specified time looks bleak”.

**HEAD : 64/03 - MINISTRY OF WORKS AND SUPPLY
ROADS DEPARTMENT**

SUBHEAD : 502/111 CHIPATA – LUNDAZI ROAD

Rehabilitation of Chipata – Lundazi Road

41. In February 2003, the Ministry invited tenders for the rehabilitation of the Chipata- Lundazi road. The rehabilitation works were to involve pothole patching, shoulder repairs and culvert cleaning. The works were divided into two (2) lots, one for 100 km and the other for 79km. Tender board awarded the contract to Steffanutti and Bressan at contract prices of K7,061,152,341 for lot 1 and K14,122,281,406 for lot 2.

The provisions in the budget for the years 2003 and 2004 for the above rehabilitations was K4,000,000,000 and K9,306,676,000 respectively.

A review of records pertaining to the project in May, 2004 revealed the following:

(a) Lot 1

Out of the total contract sum of K7,061,152,341, a total amount of K3,400,042,243 representing 81 percent of the total claim of K4,182,242,628 had been paid as of May 2004 leaving a balance of K782,200,385.

The works on the 100 km stretch should have been completed in February 2004.

A site visit in May 2004, indicated that this had not been achieved.

It was observed that the contractor had done only 48 km of pothole patching, culvert cleaning and edge repairs. New potholes had however appeared next to where patching had been done rendering the whole process of patching ineffective.

It was also observed during the site visit that five culverts on the 90 km stretch were completely vandalised.

(b) Lot 2

A visit to the site in May 2004 indicated that the contractor had not started work on this badly damaged stretch because he was demanding K2,824,456,281 in advance as per contractual agreement.

In his response dated 15th December 2004, the Controlling Officer mentioned that the works had commenced in June 2004 and were expected to be completed in December 2004. A visit to the site in December 2004, indicated that work had not commenced contrary to the Controlling Officer's submission.

**HEAD : 77/01 - MINISTRY OF DEFENCE
HEADQUARTERS**

SUBHEADS : 202 - PURCHASE OF GOODS

Accounting Irregularities

42. In paragraph 70 of the Auditor General's report for the financial year ended 31st December 2002, mention was made of the weaknesses in controls over the procurement of goods and services for the Zambia Army. In particular, issues such as failure to follow tender procedures, over invoicing by suppliers and non delivery of items paid for, among others were highlighted.

In their report for the Third Session of the Ninth National Assembly, the Public Accounts Committee directed the Controlling Officer to ensure delivery of the items and also recommended that an investigation be conducted and officers responsible for the overpayment be made to pay back.

A review of the situation in June 2004 revealed that the Ministry of Defence has since August 2002 established a Centralised Defence Procurement and Supplies which is responsible for all procurement of goods and services in the Ministry. All procurements and supplies units in the services will be expected to feed into the Procurement and Supplies Bureau at the Ministry Headquarters when it is fully operational. The establishment of the Bureau is meant to rationalise the procurement systems in the Defence Forces.

An examination of records at the Ministry Headquarters in respect of outstanding bills revealed that in 2002 and 2003 while the Ministry was re-organising the procurement system, bills from the services were forwarded to the Ministry Headquarters for settlement.

In this regard, a total bill of K32,216,367,353 in respect of purchases for the Zambia Army was submitted. A scrutiny of pertinent records at the Ministry of Defence Headquarters in respect of supplies to the Army revealed the following:

(a) Purchase of Foodstuffs

- (i) Between January and December 2003, the Ministry of Defence paid an amount of K3,535,200,000 to various suppliers in respect of foodstuffs supplied to the Zambia Army during the period prior to 2002. However an audit inspection carried out at the Zambia Army Central Ordnance Depot revealed no evidence of receipt and disposal of the foodstuffs.

- (ii) In 2003 an amount of K843,909,000 was paid by Ministry of Defence to various suppliers who supplied foodstuffs to the Zambia Army between December 2002 and July 2003. A review of records at the Zambia Army revealed that during the period January 2002 and December 2003, the general market and/ or recommended prices were K6,000 per litre for cooking oil, K3,500 per Kg for sugar, K13,000 per tray of eggs and K3,200 per Kg for beans. The Army however ordered foodstuffs at prices ranging between K7,000 to K10,000 per litre of cooking oil, K4,000 to K5,500 per Kg of sugar, K15,000 to K20,000 per tray of eggs and K3,700 to K6,000 per Kg of beans resulting in an excess payment of K222,600,000.

The amount of K222,600,000 paid by the Ministry of Defence was therefore wasteful.

- (iii) An amount of K40,000,000 was paid to a local company on 2nd June 2002 for the supply of 400x100Kg bags of dry beans (K3,200 per Kg). A scrutiny of receipts and disposal records at Central Ordnance Depot however revealed that only 200x100Kg bags costing K20,000,000 had been delivered as of June 2004 leaving a balance of 200x100 Kg bags costing K20,000,000 undelivered.

(b) **Fraudulent Claims**

According to existing procedures, Local Purchase Orders are issued to the Directorate of Ordnance by the Director of Finance. The Directorate of Ordnance is responsible for the safe custody of the Local Purchase Orders. The ordering of goods, raising of Local Purchase Orders and receipt of goods ordered are done by officers charged with such responsibilities within the Directorate of Ordnance.

A review of the procedures revealed weaknesses in that no proper controls were exercised over the processing of Local Purchase Orders. In this regard forty three (43) Local Purchase Orders with a total value of K10,612,330,000 were fraudulently raised during the period January 2000 to December 2002.

Out of the total orders of K10,612,330,000, the Ministry of Defence paid an amount of K865,109,000. The balance of K9,747,221,000 was forwarded to the Ministry of Finance and National Planning for settlement.

In particular it was observed that:

- (i) Out of the forty three (43) Local Purchase Orders, seven (7) LPOs with a value of K1,282,400,000 were not supported by original stores/suppliers receipt vouchers while the receipt numbers quoted were those pertaining to different companies other than those purported to have supplied the items.
- (iii) Twenty three (23) LPOs with a value of K6,752,860,000 were supported by receipt vouchers that bore serial numbers not among those allocated to the Central Ordnance Depot.

In addition, a verification of the stores records maintained at the Central Ordnance Depot revealed that no deliveries had been made in respect of foodstuffs worth K10,612,330,000.

(f) **Review of Internal Audit Reports**

A review of the Internal audit reports dated 7th October 2002 and 24th January 2004 on the audit of outstanding bills for the periods 31st July to 7th October 2002 and January to October 2003 respectively revealed that:

- (i) Total claims of K1,267,380,500 were submitted to the Ministry of Defence for payment to four companies for foodstuffs purportedly supplied to the Zambia Army during the period 31st July to 7th October 2002. Out of the total claims, K200,000,000 had been paid to the two(2) companies as of October 2002 although there was no evidence that the foodstuffs had been supplied.
- (ii) A total amount of K1,968,000,000 was paid by the Ministry of Defence during the period January to October 2003 to five (5) companies owned by the same individual. However, there was no evidence that the foodstuffs paid for had been supplied.

In his response, the Controlling Officer expressed regret at the irregularities and stated that the fraudulent bills had since been handed over to the Drug Enforcement Commission for further investigations and that the suspects have since been arrested.

**HEAD : 77/02 - MINISTRY OF DEFENCE
ZAMBIA ARMY**

SUBHEADS : - VARIOUS

Accounting Irregularities

43. During the financial year ended 31 December 2003, a total amount of K232,324,284,622 was provided for in the Estimates of Revenue and Expenditure for the operations of the Zambia Army. Out of the authorised provision, an amount of K184,003,805,378 was released representing 79.2 percent of the provision.

An examination of financial and stores records maintained at the Army headquarters and inspections of various projects undertaken in the Army's Units on the Copperbelt and Central Provinces revealed the following:

(a) **Non Payment Of Statutory Contributions**

Between September and December, 2003 a total of K194,644,420 was drawn by the Army as imprest for payment of salary arrears to various officers. It was however observed that statutory contributions such as Pay As You Earn and pension were not deducted.

(b) **Wasteful Expenditure.**

In 2003, the Army engaged a local firm, Russel Mweene Engineering Company to repair a front end loader. In this regard, between May and November 2003, a total amount of K95,500,000 was paid to the company towards the repairs.

An inspection of the front end loader in November 2004 revealed that the engine had ceased and the machine was not in a serviceable condition.

Inquiries revealed that the machine had only worked for two (2) weeks before the engine ceased. The amount of K95,500,000 paid to the company was therefore, wasteful.

(c) **Purchase of Two (2) Buses And Ten (10) Ambulances**

In 2003, the Army paid a total amount of K2,439,020,000 to two (2) local companies, Trampo Motors (K1,019,200,000) and Auto Mart Limited (K1,419,820,000) for the purchase of two (2) Volvo buses and ten (10) Kia Pregio Ambulances. It was however observed that

there were no formal agreements which were entered into with the suppliers. In addition, there was no Tender Board authority obtained for the procurement of the vehicles.

(d) **Delays In Disposing of Road Traffic Accidents Cases**

According to the existing procedures in the Zambia Army, when a vehicle is involved in a road traffic accident involving a third party, the unit in charge of the vehicle prepares a Notification of Traffic Accident which is submitted to the Directorate of Transport. The Directorate forwards a copy of the driving licence, RTA form 146 and the police report to A – Branch which convenes a Board of Inquiry (BOI). The BOI would then decide on the action to be taken.

An examination of records at the Directorate of Transport revealed that between January and December 2003, there were forty-four (44) cases of road traffic accidents involving Zambia Army vehicles. As of November 2004, no Board of Inquiry (BOI) had been convened to dispose of the cases pertaining to the road traffic accidents. Consequently, estimated costs of repairs in respect of the vehicles in question had not been worked out and no claim had been lodged with the Zambia State Insurance Corporation.

(e) **Failure To Remit Insurance Premiums**

Despite the Army having a large fleet of motor vehicles, it had not been remitting insurance premiums to the Zambia State Insurance Corporation (ZSIC). In this regard, as of December 2003, the Zambia Army owed ZSIC a total amount of K2,897,725,752 in premium renewals.

In the event of any accidents it is unlikely that the corporation will honour the claims from the Zambia Army.

(f) **Weaknesses In The Execution Of Projects**

During the financial year under review, the Zambia Army engaged various contractors to undertake rehabilitation and construction works in various units.

An examination of records pertaining to construction and rehabilitation works and site visits to projects in the Copperbelt and Central Provinces revealed the following:

(i) **Rehabilitation of the Zambia Combined Cadet Force Reid Hall and Officers' mess**

A tender for the rehabilitation works for the Hall and Mess at ZCCF – Kitwe was awarded to Mazzonittes Limited in June 2000 at a total contract sum of K582, 582,900 (Hall at K380, 000,000 and Mess at K202,582,900) for a period of four (4) weeks. The contractor had been paid the full amount as of November 2004. The works included the following:

ZCCF Hall

- Cast concrete floor inside the hall and all round the drainage, (K52,725,000)
- Supply and fix PVA tiles to inside hall, veranda, bar and canteen areas (K68,475,000)
- Repair of existing roof by removing all damaged roofing sheets, ridges, barge boards and replace them with new ones (K87,750,000)
- Replace all broken window panes, mirrors glass handle peg stays and door stays (K19,460,000)

A physical inspection of the hall revealed that the contractor failed to carry out the works as specified in the contract as detailed below:

- ◆ Instead of casting a concrete floor inside the hall, about 90 percent was replaced with rough timber plank fittings whilst PVA tiles were fixed to the remaining portion of the floor. The quality of the materials (planks) used were so poor that some portions sagged in when stepped on.
- ◆ In repairing the existing roof, the contractor replaced about 10 percent of the roof with new roofing sheets. For the remaining portion, the same old asbestos sheets some of which were broken were used. In this case the sheets were repainted and depending on how damaged the roofing sheets were, two to three sheets were placed one on top of the other. The ridges though worked on were not properly aligned. Enquiries revealed that the roof was still leaking.

- ◆ Despite being replaced, it was observed at the time of inspection that most of the windows were already broken. The explanation given for the breakages was that the peg-stays and louver-stays were not properly fixed. Consequently, when the windows were opened the glass panes slid off the holders.

(ii) **Rehabilitation of the ZCCF Officers' Mess**

The rehabilitation works at the Mess included among others repair of the leaking roof, supply and fix ceramic tiles in two veranda areas. A site visit made in November 2004 revealed that the contractor carried out most of the works as specified in the contract. However it was observed that PVA tiles were fixed in the outside bar veranda area instead of ceramic tiles.

(iii) **Construction of ablution blocks- Kalewa Barracks- Ndola**

In an effort to improve sanitation in the barrack, the Army awarded a contract to Mazzonittes Limited for the construction of 120 ablution blocks complete with sewer reticulation. In this regard, an agreement was entered into between the Zambia Army and Mazzonittes Limited on 2nd November 2001 at a contract sum of K982,838,000. The contract was for a period of six (6) months.

As of November 2004, amounts totalling K795,425,404 had been paid to the contractor towards the project leaving a balance of K187,412,596.

A physical inspection of the project carried out in November 2004 revealed that:

- ◆ Contrary to the terms of the agreement, 120 ceramic hand washing basins complete with accessories costing K78,000,000 were not supplied and fixed.
- ◆ 240 brick air vents costing K3,600,000 were not supplied and fixed to the window openings.
- ◆ Instead of supplying and fixing shower mixers all valued at K30,000,000 the contractor instead fixed single shower lines.
- ◆ Instead of applying one under coat and two under coats of PVA paint to the external walls at a cost of K22,500,000, the external walls were done in roughcast.

- ◆ The contractor was to build thirty- five (35) new manholes complete with cast iron frames and covers at a cost of K8,750,000. However, the contractor built twenty eight (28) manholes according to specifications while seven (7) manholes were not done according to specification.
- ◆ The toilet flushing systems in forty- two (42) units were faulty as either the handles or the components in the cisterns were broken. An enquiry revealed that the breakages were due to inferior materials used.

In addition, the contract for the construction of the one hundred and twenty (120) ablution blocks was not referred to the Zambia National Tender Board.

(iv) **Mushili Housing Project-1 Commando Unit**

In paragraph 80 of the Auditor General's report on the Accounts for the financial year ended 31st December 2002, mention was made of delays in the completion of the housing project at Mushili. In particular, delays were noted in the completion of commissioned officers' houses.

A review of pertinent records and a site inspection of the project carried out in November 2004 revealed the following:

- ◆ The ten commissioned officers' houses had still not been completed as of November 2004. In this regard, out of the ten houses under construction, two (2) were about 90 percent complete with the remaining works being water reticulation, tapping of electricity and skating and eight (8) were still at slab level. It was further observed that, out of the eight slabs, five (5) had been completed although four (4) had developed cracks.
- ◆ An inspection of five out of the twenty (20) houses that were commissioned and handed over to the Army on 30th October 2003 revealed that the houses had developed defects. It was observed in this regard that, spaces had developed between the edges of the prefabricated wall and bath tub. In the kitchen, water sips through the edges between the metal sinks and the base of the board on which the sinks rest.

(v) **Rehabilitation Of Sewer System – 1 Commando Unit**

A contract for the rehabilitation of the sewerage system was awarded to Assesco Limited in April 2001 at a contract sum of K180,770,000. The works included, among others, unblocking all blocked manholes, removing and replacing sewer pipes, excavating and reconstructing of eight (8) septic tanks and soak aways and were to be executed within a period of twenty six (26) working weeks. As of December 2003, the total contract sum had been paid.

An examination of pertinent records and a site inspection in November 2004 revealed that a total amount of K32,900,000 was paid for the construction of the eight (8) septic tanks and soak ways. Out of the eight paid for, only five (5) were constructed and completed while one had just been rehabilitated and two had not been completed as of November 2004.

It was observed that although the contract was to be executed in twenty six (26) weeks commencing April 2001, the works had not been completed as of November 2004 and the contractor has since abandoned the project despite being paid in full.

(vi) **Construction Of 80,000 Litre Underground Water Tank - Tug-Argan Barracks**

A contract for the construction of an 80,000 litres water tank at Tug-Argan Barracks was awarded to a local company (Pliable Engineering Limited) in August 2003 at a contract sum of K177, 963,500 and the contractor was paid in full. The works were to be completed within a period of seven (7) weeks.

An examination of pertinent records and a site inspection of the project conducted in November 2004 revealed that although the project was completed, the contractor did not supply an electric booster pump as specified in the contract. The contractor merely relocated the pump that used to service the old water reticulation system from the pump house to the water tank. In this regard, the amount of K16,500,000 paid to the contractor for the supply of the electric booster pump is recoverable.

(vii) **Water Reticulation And Roof Renovations To 1ZR Officers' Mess And Sewer System To 3 Officers' Houses.**

A tender for the rehabilitation of the water reticulation system, renovations to the officers' mess and sewer system to 3 officers' houses was awarded to Assesco Ltd in March 2001 at a contract sum of K123,100,825 and the contractor had been paid the full amount as of November 2004. The projects were supposed to be completed within a period of 30 days commencing March 2001.

◆ **Renovations to the Officers' mess**

The works to be undertaken included replacing the asbestos with corrugated roofing sheets, removing bitumen on the concrete roof and resealing with roof sealant, painting the roof with green roofing compound, and replacing fibre translucent roofing sheets at the outer bar shed. The works were to cost K37,305,000.

A site inspection in November 2004 revealed that although the works were to be undertaken within 30 days, the project had not been completed despite being paid for in full. Further enquiries revealed that the roof was still leaking.

◆ **Rehabilitation of the sewer system to officers' houses**

BASIC EDUCATION SUB-SECTOR INVESTMENT PROGRAMME (BESSIP) The works were to be done at a total cost of K19,768,060 and included among others the replacement of sewer pipes and building a septic tank and soak away. An inspection of the rehabilitation works revealed that the works had not been properly done. Consequently, sewer disposals were not flowing to the septic tanks built by the contractor and temporal septic tanks had to be built to service the officers' houses.

(viii) **Rehabilitation of the sewer system to Century Quarter**

The works to be undertaken included replacing the old broken pipes around the houses (K44,774,000), broken sewer pipes along the main sewer line with new ones (K70,494,000), and constructing two (2) septic tanks and soak aways (K37,000,000). In all cases the contractor was paid in full.

An inspection of the projects carried out in November 2004 and inquiries made revealed that the contractor did not carry

out most of the work as specified in the contract. In this regard, the following observations were made;

- ◆ Instead of removing and replacing the old pipes with new ones the old pipes were reused.
- ◆ Instead of replacing the old sewer pipes around the houses, a new sewer line running parallel with the old line was constructed and connected to the main sewer line. In essence the houses still remained connected to the old sewer line. Inquiries revealed that when the main sewer Line got blocked, a back flow of affluent occurs into the new line and spills out at various points along the line. As of November 2004, the sewer system was not operational. Consequently, twenty- seven (27) houses were using pit latrines.

(ix) **Extra works for the sewer system**

The same contractor, Assesco Ltd, carried out works on the sewer ponds at a total cost of K176,865,000 and had been paid in full as of November 2004. The works included among others, excavating one (1) receiving, one circulation and one tail pond, construction of two regulation channels, a screening room with concrete roof and a pavement to the sewer ponds.

A site visit in November 2004 revealed that the screening room was not complete as a concrete roof had not been constructed. In addition, the polythene sheets laid on the base of the receiving pond were not properly covered with a layer of sand. Consequently, the sheets were exposed such that at the time of inspection, most of the polythene sheets had been stolen.

The works on the pavement were poorly done and as a result cracks developed and were being eroded in some parts.

(x) **Installation Of Five Water Tanks- Kohima Barracks**

In July 2001, a tender for the installation of five (5) water tanks in Kohima Barracks was awarded to United Chemolide industries (Z) Limited at a contract sum of K205,457,292 and the contractor was paid in full. The works were to take a period of two (2) weeks.

A site visit undertaken in November 2004 revealed that one tank was not operational because it had developed a crack. The pressure vessel fitted to the water inlet pipes to accelerate the pumping of water into the tanks was equally not operational. It was also explained that as a result of the water tanks not having been properly sited, water supply had not improved. Only the officers' quarters had a steady water supply. Water supply in the soldiers' quarters which were on the higher ground still remained erratic.

(xi) **Rehabilitation of the sewer system – Chindwin Barracks**

A tender for the sewer system in Chindwin barracks was awarded to Mima Sewerage Services Company in December 2003 at a contract sum of K350, 344,650 out which K40,000,000 had been paid as of November 2004. The works to be carried out included construction of soak aways, rehabilitation of septic tanks and desludging works. A site inspection in November 2004 revealed that although the contractor was replacing the steel covers on the manhole and septic tanks with concrete covers the quality of the concrete covers was poor.

In addition, most of the concrete covers were not fitting properly on the manholes. Consequently, sewer smell still permeated through the covers posing a health risk to the residents.

(g) **Purchase of Plots # 7684 and 7685 Woodlands Extension**

In May 2003, the Zambia Army entered into an agreement with Zamcapital Enterprises Limited for the purchase of properties on plot numbers 7684 and 7685 situated in Woodlands Extension at a contract price of K700, 000,000. In this regard, it was observed that although the Zambia Army paid the full contract price of K700,000,000 in May 2003, the properties had not been valued and there was no Tender Board authority. In addition, certificates of title had not passed to the Army as of November 2004.

(h) **Purchase of Bon-Accord Hotel**

In May 2003, a total amount of K664,447,392 was paid to Emerged Railway Properties (PVT) Limited for the purchase of the Bon-Accord Hotel in Livingstone. It was noted however that as of November 2004, title to the property had not passed to the Zambia Army.

(I) **Purchase of furniture**

In September 2002, the Zambia Army engaged Setrec Steel and Wood Processing Limited to supply 1000 desks and 1000 chairs to the Army at a cost of K468, 000,000. The Zambia Army made an upfront payment towards the contract leaving a balance of K245, 700,000 which was settled in April 2004.

An examination of the stores records maintained at COD revealed that only 516 desks and 599 chairs costing K257,092,000 had been supplied leaving a balance 484 desks and 401 chairs costing K210,908,000.

**HEAD : 80/01 - MINISTRY OF EDUCATION
HEADQUARTERS**

SUBHEADS : - VARIOUS

**Basic Education Sub-Sector Investment Programme (BESSIP) 2003
Accounts**

44. In paragraphs 83 to 147 of the Auditor-General's Report on the accounts for the financial year ended 31st December 2002, mention was made of the weaknesses in control over procurement and distribution of books, other school requisites, inadequate management of construction and procurement contracts, non receipt of building materials by schools, mismanagement of school grants and inadequate monitoring of projects.

An examination of 2003 accounting and stores records maintained at the Ministry Headquarters, selected Provincial Education Offices, District Education Offices and Schools carried out in June 2004 revealed little improvement. In particular, the following situation has prevailed:

45. **HEADQUARTERS**

(a) **Funding**

During the financial year under review, a total sum of K103,373,564,427 (US\$21,709,717) was received from Cooperating Partners and GRZ for BESSIP, as detailed below:-

Donor	Pledged US\$	Released US\$	ZMK
Netherlands	6,400,000	2,225	9,756,625
Norway	11,166,667	5,935,100	28,718,841,324
Ireland	7,000,000	1,855,144	8,821,208,627
DFID	5,980,000	-	-
Denmark	8,100,000	4,229,565	20,054,353,616
Finland	2,034,000	794,042	3,700,235,021
Japan	4,608,000	-	-
IDA	19,000,000	6,365,505	30,199,097,866
ADB	-	2,161,150	10,201,121,348
UNICEF	2,401,620	-	-
USAID	5,000,000	-	-
UNDP	70,000	-	-
GTZ	400,000	-	-
EU	3,640,000	-	-
GRZ	23,644,850	366,986	1,668,950,000
Total	99,445,137	21,709,717	103,373,564,427

As can be seen from the table above the Cooperating Partners and GRZ in 2003 pledged to release US\$99,445,237 (K473,521,078,786) and only US\$21,709,717 (K103,373,564,427) representing 22% of the pledged amount was released. As a result of not releasing the pledged amounts in full, some of the programme activities planned for in the year under review were adversely affected as evidenced in this report.

(b) **Bank Accounts**

During the year 2003, the Ministry of Education BESSIP/Sector plan maintained fourteen (14) bank accounts in which funds from various Cooperating Partners were deposited and payments made. Out of the fourteen (14) bank accounts eleven (11) were maintained at Citi Bank (z) Ltd, and three (3) at the Zambia National Commercial Bank.

A review of correspondence and other related records disclosed that the programmes in Western(Western Province Education Programme) and Northern (Programme supported by Irish Aid) Provinces came to an end in December 2002. In this regard, in October 2003, the Permanent Secretary sought guidance from the cooperating partners as to how project funds that remained in four bank accounts totalling K69,230,417 and US\$140,868 as at 31st December 2003, were to be disposed of.

However, as of May 2004, no response had been received and the bank accounts remained dormant.

(c) **Unretired Imprests**

There were imprests totalling K67, 682,850,068 outstanding as at 31st December, 2003 in respect of unretired imprests. Some of the amounts have been outstanding since January 2001. Consequently, the expenditure figures appearing in 2001, 2002 and 2003 financial statements were understated. The amount outstanding is broken down as follows:-

	ZMK
Provinces & Districts	38,739,185,825
PTAs	26,314,105,984
Teacher Education	1,277,313,879
Travel Advances	641,409,003
BESSIP Northern Province	303,108,255
ZAMSIF	400,382,122
Staff Advances	2,345,000
Fuel	5,000,000
Total	67,682,850,068

(d) **Poor Maintenance of Imprest Register**

A scrutiny of the imprest register revealed that imprests purported to have been retired in form of cash between May and July 2003 amounting to K21,130,900 could not be confirmed as retired because the general receipt numbers on which the cash was receipted were not quoted in the imprest register. It was further noted that the imprest register was inadequately maintained in that information such as retirement details were not reflected in the register making it difficult to check the retirement of imprests.

(e) **Deferred Payments**

A total amount of K1, 732,022,226 was paid to five (5) suppliers of books from the BESSIP pool account during the year 2003. It was observed however that the programme activities were for 2002 and were not budgeted for in 2003.

(f) **Distribution of books, Electoral Commission**

In August 2003, the Electoral Commission was contracted by the Ministry of Education to distribute 1,694,313 books which were stored at the Zambia Education Publishing House (ZEPH) in Lusaka

to all the Provincial Education Offices at a contract price of K316,582,374.

Consequently the Ministry of Education paid the full contract price in September 2003 (K94,959,712) and in February 2004 (K221,572,662) to the Electoral Commission.

A scrutiny of records relating to delivery of the books revealed that the Electoral Commission only distributed 800,113 books leaving a balance of 894,200 books undelivered as shown below:

Province	Quantity as per Contract	Actual Distribution	Shortfall
Central	78,374	41,783	36,591
Copperbelt	296,181	166,165	130,016
North Western	95,604	62,723	32,881
Eastern	133,578	73,046	60,532
Luapula	118,476	76,145	42,331
Northern	275,345	-	275,345
Lusaka	292,737	163,734	129,003
Southern	370,801	194,380	176,421
Western	33,217	22,137	11,080
	1,694,313	800,113	894,200

The propriety of paying the Electoral Commission the full contract price for partial delivery of the books is highly questionable.

(g) **Supply and Delivery of books, ZEPH**

In January 2003, a contract was signed with the Zambia Publishing House (ZEPH) to supply and deliver various textbooks in quantities totalling 282,067 at a contract price of K2,766,437,200. The conditions of the contract were that the full quantity of books ordered be delivered to the warehouse in Lusaka within sixteen (16) weeks from the date of signing the contract. A scrutiny of the financial and stores records relating to the delivery of the books revealed the following:

- (i) Out of the 282,067 books on contract, a total of 229,640 were delivered in April and June 2003 while 44,228 books costing K308,610,000 could not be delivered as agreed because the books were out of print on the market and had to be substituted with 38,696 different books valued at K304,710,000 which were available on the market following the signing of an addendum to the contract on 18th December 2003 between the parties. There were therefore 8,199 books

whose value could not be established which were not delivered as of May 2004.

- (ii) Between April 2003 and January 2004, the contractor received payments in amounts totalling K2,669,156,250 (less discount of K394,907,750). However, a reconciliation revealed that the contractor had been overpaid by an amount of K379,568,098 as per analysis below:

	<u>K</u>	<u>K</u>
Adjusted contract sum		2,764,863,750
Less cash discount	(394,907,750)	
Less undelivered books (8,199)	<u>(80,367,848)</u>	
		<u>(475,275,598)</u>
Amount due to contractor		2,289,588,152
Actual payments made to contractor		<u>2,669,156,250</u>
Overpayment		<u><u>379,568,098</u></u>

(h) **Procurement of Learning Science Kits**

On 18th November, 2002, the Ministry of Education signed a contract with Kraimer Industry of United Kingdom (U.K) for the supply and delivery of 2000 sets of teaching and learning kits for primary schools in the country at a contract price of US\$637,640. The kits were to be delivered to ZEPH warehouses in Lusaka. According to the specifications, the teaching and learning kits included among others digital beam balancers. The contract further specified that 15% of the contract sum was to be paid in advance.

However, contrary to the agreement, in April 2003 the contractor was paid an amount of US\$98,502 instead of US\$95,646 being 15% of the contract sum.

A physical inspection of the kits in February 2004 carried out by the Ministry at ZEPH revealed that contrary to the specifications, the kits delivered had no glass rods, and manual beam balancers were supplied instead of the digital beam balancers. Although the anomalies were brought to the attention of the supplier, no remedial action had been taken as of May 2004.

(I) **Procurement of Furniture**

In March, 2002, the Ministry of Education entered into a contract with Supersonic International for the supply and delivery of furniture to schools in Southern, Western, Luapula, Copperbelt and Northern Provinces at a contract sum of USD966,418. According to the

contract, the furniture to be delivered included among others desks, cabinet drawers, chairs tables and industrial arts tools. Delivery was to be made within 12 to 14 weeks after signing the contract and payment was to be effected when furniture costing US\$100,000 had been delivered to the schools.

A review of the relevant contract records at the Ministry in May 2004 revealed that between April 2002 and August 2003 the contractor received payments totalling US\$735,000 out of the contracted US\$966,418 leaving a balance US\$231,418 worth of furniture not delivered contrary to the agreement.

(j) **Sector Pool Financial Statements**

In February, 2003, Eight (8) Cooperating Partners and Zambian Government (GRZ) signed a memorandum of understanding (MOU) to contribute towards the funding and implementation of the Ministry of Education Sector Plan (MOESP) 2003 – 2007.

The MOESP is based on the vision and goals of the Ministry of Education to provide quality lifelong education for all, which is accessible, inclusive, equitable and relevant to individual, national, global needs and value systems. It is based on a holistic approach to develop the education sector at all levels, although Basic Education was to be priority. One of the conditions in the MOU was that audited financial statements and reports should be ready by 30th June, of the following year.

It was however, observed that during the audit in May, 2004 the cooperating partners released a total of US\$13,836,003 (ZMK64.1bn) towards the programme.

In this regard a total of K5,670,738,780 had been disbursed to the provinces while expenditure incurred at Headquarters had not been analysed and thus making it difficult to ascertain the total expenditure for Headquarters. It was also observed that although expenditure was incurred, no Financial Statements were prepared for the financial year ended 31st December, 2003.

NORTHERN PROVINCE

46. District Education Office, Kasama

(a) School Grants

The District Office received K604,800,000 for 76 schools out of which only K552,800,000 was disbursed to the schools leaving a balance of K52, 000,000 unaccounted for as detailed below:-

Term	No. of Schools	Amount Received	Amount Released	Balance
		K	K	K
1	75	201,600,000	199,000,000	2,600,000
2	65	201,600,000	173,000,000	28,600,000
3	66	201,600,000	180,800,000	20,800,000
Total		604,800,000	552,800,000	52,000,000

(b) Monitoring and Supervision of School Grants and Infrastructure

In April and August 2003, amounts of K5,800,000 and K6,000,000 were paid out as imprests by the DEO to six officers for monitoring and supervising the construction and rehabilitation of infrastructure works and school grants. However as of May 2004 the imprests had not been retired.

(c) Distribution of Books

According to the system of internal control, contractors are engaged by the Ministry to deliver books to District Education Offices (DEO). Each time a delivery is made, a delivery note is raised and the delivery note accompanies the books. Upon receipt of the books, the stores officer at DEO raises a goods received note to confirm receipt of the books and updates the stores ledger. It is then the responsibility of the DEO to distribute the books to the various schools under their charge. An examination of stores records maintained at the DEO's office revealed the following:

- ◆ A total of 13,843 books of assorted titles were received at the District in April 2004 but had not been recorded in the relevant stores records.
- ◆ A total of 1,215 assorted titles distributed to the District were not received.

- ◆ It was also observed that there was lack of proper storage facilities in that the books were stored in an ablution block which had no door.

District Education Office – Mpika

47. During the year ended 31st December 2003, BESSIP disbursed amounts totalling K1,088,969,000 to Mpika District Office.

An examination of accounting documents and other related records disclosed the following:

(a) **School requisites**

The district received an amount of K63,100,000 for procurement of school requisites such as exercise books, pencils, pens and rulers for distribution to basic schools. In this regard, the district purchased requisites costing K59,139,000. However, no tender committee meeting was held. It was further observed that to avoid tender procedures the district split the payments to remain within the threshold of K5,000,000 such as payments to G.M. Trading on cheque numbers 0003 (K5,000,000), 0004 (K4,250,000), 0006 (K4,250,000), 0008 (K3,675,000) and 0009 (K5,000,000) all dated 30th December 2003 with amounts totalling K22,175,000.

A stock count of items in stores disclosed that 435 crayons costing K609,000 and 366 registers costing K3,043,000 had not yet been delivered to schools as of May, 2004.

(b) **Distribution of desks**

In December, 2002, 540 desk tops and 870 desk seats all costing K111,456,000 were delivered to Mpika District Education Office by Supersonic International. However due to lack of storage space at the DEO, a decision was made to store them at Malambwa Basic School where they were later assembled from by the manufacturer.

It was noted however, that the assembled desks were delivered to schools without the involvement of the District Office. As a result, the schools to which the five hundred and forty (540) desks were distributed were not known as at June 2004.

(c) **Unvouched Expenditure**

An examination of expenditure records revealed that:

- ◆ There were four (4) payment vouchers in amounts totalling K109,000,000 paid during the period October to December 2003 and one cancelled cheque (No. 000620) that were missing,
- ◆ There were two payments in amounts totalling K12,000,000 made in March and June 2003 to community school teachers which had no supporting documents,

(d) **Accelerated Decentralisation Programme**

The District received K55, 700,000 during the year under review. However the bank statement showed that there was a balance of K29,735,000 in the account. The difference of K25, 965,000 could not be accounted for as of June 2004.

District Education Office – Kaputa

48. During the financial year ended 31st December 2003, BESSIP disbursed amounts totalling K556,104,056 to Kaputa district office as follows:-

Funds	Disbursed K	Received K	Variance K
School grants	445,800,000	445,800,000	-
Infrastructure Monitoring	12,380,000	12,380,000	-
Bursaries	34,500,000	13,000,000	21,500,000
Pupil Requisites	8,112,846	8,112,846	-
ADP Income	55,311,210	55,311,210	-
Total	556,104,056	534,604,056	21,500,000

An examination of accounting documents and other related records disclosed the following:

(a) **Unsafe Custody of Cash**

In June 2004, the Office withdrew cash amounting to K176,000,000 for disbursement as school grants to various schools in the district. At the time of audit in June 2004 there was cash on hand amounting to

K69, 516,500. It was noted however that there was no safe and the money was kept in a briefcase.

(b) **Bursaries**

In June 2003, BESSIP headquarters disbursed an amount of K34,500,000 for the bursary scheme through the Provincial Office for Kaputa District Office in June 2003. A test check of records revealed that the district received only an amount of K13,585,000 in December 2003 from the Provincial Education Office. The difference of K20,915,000 had not yet been paid to the district by the Provincial Education Office. It was further noted that contrary to guidelines, the district did not open a separate bank account for the bursary scheme but was deposited the money in the RDCs account.

(c) **Non Insurance of Motor Vehicle**

The District received a Toyota Land cruiser GRZ 431BS in September 2003, the vehicle was in good condition and in use. However as at the time of Audit the vehicle had not been insured.

(d) **Construction - Katwatwa Middle Basic School**

In July 2003, the Ministry of Education (BESSIP) disbursed an amount of K60,000,000 to Katwatwa Middle Basic School for the construction of a 1x2 classroom block, 1x staff house, 2x double VIP toilets and 1x Kitchen. An inspection of records and a site visit disclosed that:-

- (i) Contrary to BESSIP guidelines, in August 2002 the PTA entered into a verbal arrangement with a local contractor to carryout the works at a price of K15,000,000. The contract was retrospectively signed in July 2003 between the contractor and the Buildings Officer instead of the PTA chairman.
- (ii) Payments for labour amounting to K11,620,000 were paid to the contractor without stage completion certificates,
- (iii) Contrary to BESSIP guidelines the school made payments amounting to K2, 800,000 to suppliers and contractors without raising payment vouchers.

- (iv) Payments to two suppliers involving amounts totalling K26,494,500 were split to avoid tender procedures. The payments were made as follows; K12,264,500 to crown suppliers on cheque numbers 755460(K4,996,500),75546(K4,920,000), 755462 (K2,264,500) dated 16th September 2003 and K14,230,000 to Pamaco on cheque numbers 755468 (K4,985,000), 755469 (K4,858,500), 755470 (K4,386,500) dated 18thSeptember 2003.
- (v) Cheque leaf number 255479 was missing from the cheque book and was not recorded in the cash book. No bank statements were provided to ascertain whether the cheque was honoured by the bank or not.
- (vi) Building materials costing K5,155,000 had no receipt and disposal details and two x 5 ltr black board paint costing K70,000 though paid for in September 2003 had not been supplied as of June 2004.

(e) **Kaputa Basic School**

A visit to the school in June 2004 revealed that there was poor storage of records in that the expenditure summary sheets and receipts were not filed. It was also observed that due to lack of safe facilities, the head teacher was keeping large sums of money in a locker. At the time of audit, K11,440,000 cash was found on hand in the locker.

(f) **Mchenja Basic School**

There was no official hand over from the previous head teacher to the current, consequently an amount of K2,600,000 could not be accounted for.

District Education Office – Chinsali

49. During the year under review, the Ministry of Education (BESSIP) Headquarters disbursed K800, 861,152, School grants (K759,000,000), Infrastructure monitoring (K10,800,000), Bursaries (K4,671,500), Pupil requisites (K16,773,652) and ADP income (K9,616,000) to Chinsali District.

An examination of accounting documents and other related records disclosed the following:-

(a) **School Grants**

Contrary to the Ministry of Education circular No. ME/101/1/166 dated 24th July 2002, sixty two (62) schools paid affiliation fees in amounts totalling K9,714,000 from school grant

(b) **Bursary scheme**

Three schools, Kenneth Kaunda High School, Chinsali Girls and Mishishi Basic Schools had not acknowledged receipt of amounts totalling K3, 458,000 disbursed to them under the scheme.

(c) **School Infrastructure – Mulakupikwa Basic School**

The school was funded K60,000,000 in 2003 for the continued rehabilitation of 1x 2, and 2 x 1x3 classroom blocks, 5 x staff houses and construction of 15 double VIP latrines.

A visit to Mulakupikwa Basic School disclosed that:-

- (i) The Project Management Committee entered into four (4) contracts between October 2002 and September 2003 with two contractors for the construction of two (2) single VIP latrines, three (3) double VIP latrines, two(2) bathrooms, rehabilitation of a 1x3 classroom block and renovation of six (6) staff houses. The contract prices amounted to K21,400,000. It was noted that the contracts did not comply with BESSIP guidelines in that the contracts did not have defined contract periods, were not signed by the PTA Chairman or both.
- (ii) Payments amounting to K14, 250,000 made to the two contractors were made without raising stage completion certificates.
- (iii) Bank reconciliations statements for the period under review were not prepared.

District Education Office - Luwingu

50. The district received a total of K 547,300,000 as funding for School Grants, Bursary Scheme and Monitoring & supervision of Grants and Infrastructure.

(a) **Bursary Scheme**

The signatories to the Bursary Scheme account were all based at the District Education Office contrary to the Bursary guidelines which stipulate that the District Social Welfare Officer and a District Welfare Assistance Committee member be signatories to the Account.

(b) **Distribution of Books and Science Kits**

The allocation was 16,562 books, 18 Science kits and 74 Science Charts which were distributed to the District but only 15,830 books, 18 Science kits and 66 Science Charts were received. The balance of 692 books and 8 Science Charts had not been received as of June 2004.

It was further discovered that 16 boxes containing books of various titles and 19 boxes of Science kits were left at the DEO. As of June 2004 the books had not been delivered to the intended schools.

(c) **Non Deployment of Staff**

It was also noted that the District Education Office did not deploy qualified staff to their positions although the Provincial Education Office had transferred right candidates for various positions, including accounts.

(d) **Construction - Mucheleka Basic School**

The district received K60,000,000 for the construction of a 1x3 Classroom block in 2003. Subsequently, in January 2004, the school signed a labour only contract with a local contractor at a contract price of K 5,500,000. It was however observed that the then Buildings Officer was not monitoring the project. Consequently, no stage completion certificates had been issued as of June 2004 resulting in the contractor not being paid for the works done.

(e) **Construction - Mumba Basic School**

In 2003, the school received K 12,000,000 for the continued construction of a 1x3 classroom block for which a contract was signed with a contractor in October 2002 at a contract price of K10,392,320.

An examination of records pertaining to the project revealed that the contractor had left the site in March 2004 despite the fact that certain works such as the drainage, second coating of paint and mending of

the cracked floor had not been done. However, contrary to provisions of the contract, the Contractor had been paid in full before a completion certificate was issued.

District Education Office –Isoka

51. In 2003, BESSIP disbursed funds totalling K 1,197,834,000 to the district in respect of School Grants (K1,059,000,000), Bursary Scheme (K57,500,000), Monitoring & Supervision (K5,800,000) and Accelerated Decentralisation Programme (K75,534,000).

An examination of accounting documents and other related records disclosed the following.

(a) **Maintenance of Records**

Records were not properly maintained, most of the documents were not filed, bank reconciliation statements were not prepared and cash books are not updated for school grants account as the last entry was made in April 2004. The cash book for the bursaries account as well as bank reconciliation statements were not prepared.

(b) **Bursaries Scheme**

The Provincial Education Office disbursed an amount of K57,500,000 in March 2003 to the district. The funds were for the payment of school fees for grade 8 and school fees and examination fees for grade 9. A scrutiny of payment vouchers and bank statements revealed that:

- (i) There were no expenditure receipts to support payments made by the district in amounts totalling K24,040,500 between March and December 2003 for the purchase of various items such as blankets, shoes, and school bags.
- (ii) A cash book was not maintained and bank reconciliations were not prepared for the bursaries account during the period under review.

LUSAKA PROVINCE

District Education Office – Lusaka

52. The District Education Office received K1,243,641,700 comprising, School Grants K966,400,000, School Health and Nutrition K36,241,700, Bursary Scheme K115,000,000 and Infrastructure K126,000,000. A review of accounting and stores records carried out at the district office and selected schools revealed the following:

(a) **Bursary Scheme**

Cash book, bank statements and reconciliation statements for the financial year ended 31 December 2003 were not made available at the District Education Office. The accounting staff explained that the records were with the internal auditors at Lusaka Province. It was also noted that eight (8) payment vouchers in the sum of K19,425,000 were missing.

(b) **School Infrastructure**

Chawama Basic School

Chawama Basic School was allocated K126,000,000 for the rehabilitation of 38 classrooms inclusive of storeroom and offices. This included the painting, electrifying and replacing of broken down items especially in the ablution blocks and the rehabilitation of four (4) teachers houses and K52,000,000 for the drilling of a borehole. BESSIP disbursed K178,93,650 to the school between 12th July, 2002 and 28th April, 2004. A visit to the school in June, 2004 revealed that building materials costing K136,545,700 purchased between August 2002 and December 2003 had no receipt and disposal details.

53. **District Education Board – Luangwa**

(a) **Misappropriation of BESSIP Funds**

Between February and August, 2003 a total amount of K1,831,293,685 in respect of teachers salaries was deposited into the BESSIP account. No reason was given for depositing the salary cheques in the BESSIP account. An examination of the transactions on the account revealed that an Assistant Accountant at the District

misappropriated K25, 897,807 from the account, and the money had not been recovered as of June 2004.

(b) **Non Refund of BESSIP Funds**

Amounts totalling K16,750,000 borrowed from the BESSIP account between January and September 2003 to meet the cost of spare parts, fuel, subsistence allowance and refreshments had not been refunded as of June 2004

(c) **Unvouched Expenditure**

Thirty (30) payment vouchers in amounts totalling K641,959,803 made during the period under review were unvouched as they were either missing or not supported by receipts and invoices.

Construction of the District Education Board Secretary's Office

54. In order to alleviate the problem of office accommodation for DEBS Luangwa, the Ministry in 2001 released K60, 000,000 of the budgeted amount of K120, 000,000 to the Provincial Education Office (PEO) to facilitate commencement of construction of the District Education Office.

In October 2003, BESSIP released the balance of K60,000,000 for the completion of the project. A review of the progress report compiled by the Buildings section revealed that the office was still at window level and the work had stalled. An examination of records revealed that an amount of K49, 157,000 was unaccounted for.

District Education Office – Kafue

55. During the year under review, the District Education Office received K357,700,000 comprising of School Grants (K323,200,000) and Bursary Scheme (K34, 500,000). A review of the accounting and stores records maintained at the District Office and selected schools revealed the following:

(a) **School Grants**

- ◆ Seven (7) payment vouchers totalling K26, 610,000 made between February, 2003 and March, 2003 were not produced for audit.
- ◆ Amounts totalling K58,868,200 borrowed during the year from BESSIP Funds during the year had not been reimbursed as of June 2004.

- ◆ Expenditure returns in respect of School Grants amounting K16,000,000 paid to various schools between February 2003 and March 2003 had not been submitted to the DEO as of June 2004.
- ◆ Four (4) schools, namely; Chipapa, Chanyanya, Lusaka West and Munkolo Basic Schools had not maintained cash books in respect of School Grants received during the year ended 31st December 2003. It was therefore, difficult to verify whether the School Grants were properly accounted for.

(b) **Infrastructure**

Munkolo Basic School

The school was allocated K162,000,000 for construction of 1 x 3 classroom block, three (3) staff houses and ten (10) VIP toilets. Between July 2002 and March 2003, BESSIP disbursed K120,000,000 to the school. In this regard, the school purchased building materials costing K105, 001,792 between 10th August 2002 and 29th March, 2003. It was observed however, that competitive quotations were not obtained when selecting suppliers and Local Purchase Orders (LPOs) were not completed when making orders.

A visit to the school in June 2004 revealed that the 1 x 3 classroom block was built up to lintel level, the first house was at window level, the second house was at slab level and the third house was at box level. Works on the ten (10) VIP toilets had not commenced. The works on the project stalled because the K120,000,000 disbursed to the school had been exhausted.

(c) **Kasaka Basic School**

In August, 2002 a payment of K8, 550,000 was made to DC Buildman's Suppliers for the supply of 300 x 50Kg pockets of cement to the School. In addition, an amount of K700,000 was paid to the same supplier for the transportation of the cement.

A visit to the school in June 2004 revealed that the cement had not been delivered.

(d) **Mwembeshi Basic School**

There were no receipt and disposal details for assorted building materials costing K21,685,500 procured during the year.

(e) **Chiawa Basic School**

During the year, the school paid DC Buildman Supplies Limited (K8,286,050) and Lunteen Hardware (K5,502,000) for the supply of cement.

A visit to the school in June, 2004 revealed that the cement had not been delivered.

District Education Office – Chongwe

56. The District Education Office received a total amount of K825,100,000 during the financial year ended 31st December 2003 comprising School Grants K573,600,000, Bursary Scheme K57,500,000 and school infrastructure K194,000,000. A review of accounting and stores records at the District Office and selected schools revealed the following:-

(a) **School Grants**

There were weaknesses in the internal control system over the processing of payments, in that authorities to pay on the files were not quoted on the payment vouchers, expenditure details were not submitted to the district and the accounting staff were not supervised by a senior officer to ensure that internal control procedures were followed, as a result it was observed that as of June 2004, expenditure returns in respect of school grants amounting to K50,400,000 paid to various schools between May 2003 and August 2003 were not submitted to the district office.

(b) **Bursary Scheme**

Inadequately Supported Payment Vouchers

There were five (5) payments in the sum of K50,477,400 made between April, 2002 and December, 2003 which were inadequately supported by the documents such as receipts, invoices and Local Purchase Orders (LPO).

SOUTHERN PROVINCE

District Education Office - Gwembe

57. **Desk Rehabilitations**

An amount of K39 million was released on cheque number 000280 dated 30th December, 2003 for the rehabilitation of desks in the district. Examination of records at the District Education Office revealed that as of

June, 2004, amounts totalling K12,803,600 and K11,975,000 in respect of Bbondo and Lumbo Basic Schools were irregularly spent on the purchase of building materials.

CENTRAL PROVINCE

District Education Office - Mkushi

Kasokota Middle Basic School

School Infrastructure

58. An estimate of K153, 000,000 was approved for the construction of a 1x3 classroom block, three (3) staff houses, eleven (11) VIP latrines and three (3) kitchens. As of June 2004 a total amount of K110,000,000 had been released for the project. An examination of records maintained at the school and a visit to the site in June 2004 revealed that:

- (i) In October 2002, a contractor was engaged to carry out the works at a contract price of K28,000,000 out of which an amount of K16,019,000 had been paid between October 2002 and April 2004 leaving a balance of K11,981,000.
- (ii) One staff house, two outside kitchens, and one pit latrine had been completed. Works on the 1x3 classroom block, one staff house and one pit latrine were still in progress while work on one staff house, one outside kitchen and nine VIP latrines had not started.
- (iii) Tender procedures were not followed for the procurement of materials valued at K70,337,263 from two local suppliers.
- (iv) Due to the delay in the disbursement of funds, it was noted that the balance of K43,000,000 would not be adequate to complete the remaining works as assessed by the Buildings Officer. The cost of the remaining works had been estimated at K271, 237,283.

59. **District Education Office - Mumbwa**

(a) School Grants

A total of K750,000,000 was received by the District Education Office, Mumbwa during 2003 for disbursement to schools within the District. However, only K715,570,000 was paid leaving a balance of K34,430,000 which remained in the account at the end of

the year. A scrutiny of retirements revealed that a total of K15,600,000 involving two (2) schools namely; Muchabi and Kalenda had not been retired as of June 2004.

(b) **Bursary Scheme**

The District Education Board Secretary's office received K34,500,000 in July 2003 to assist vulnerable children with school requirements. A scrutiny of accounting records revealed that there were no receipt and disposal details for school materials costing K9,528,000 purchased for vulnerable children in the district.

60. **District Education Office – Chibombo**

(a) **School Grants**

An amount of K990,000,000 was received by the District Education Office, Chibombo. A scrutiny of payments revealed that a total of K852,000,000 was paid out to the schools leaving a balance of K138,000,000. However, out of the amount disbursed to the schools, only K191,000,000 was retired leaving a balance of K661,000,000 not retired as of June 2004.

(b) **School Infrastructure**

Kapopola Middle Basic

The total of K128,000,000 was budgeted for the construction of a 1x3 classroom block and two (2) staff houses. In this regard, K60,000,000 was released in July 2003 for the works. A visit to the site in June 2004 revealed that one (1) teacher's house had been completed and work on the classroom block and the other house had not commenced.

WESTERN PROVINCE

Provincial Education Office – Mongu

61. In 2003, K717,870,184 was released to the Provincial Office for various activities under BESSIP and sector plan.

It was however observed that K44,689,200 released in September 2003 for National Assessment data Collection had not been received by the PEO.

District Education Office – Mongu

Distribution of books

62. An examination of stores records relating to the distribution of books revealed that as a result of alterations made on the duplicate copies of stock transfer sheets, 3,512 books of various titles could not be accounted for.

63. District Education Office – Senanga

(a) Procurement and Distribution of books

According to existing arrangements, all text books used in schools must be approved by the Curriculum Development Centre (CDC). It was observed however that contrary to the arrangements, the DEO procured various unapproved books at a cost of K13,101,300. It was also observed that 4,255 text books of various titles distributed to the district had not been received as of June 2004.

(b) School Infrastructure - Senanga High School

The PEO received K100, 000, 000 for the rehabilitation of 34 class rooms at Senanga High School. In this regard, the works were awarded to Auto West General Dealers at a price of K30,500,000 which was paid to them.

However, no contract documentation was made available for audit.

It was also observed that materials costing K22,482,000 though paid for had not been supplied by River Side Agencies as of June 2004.

A site visit further revealed that the workmanship was poor in that ten (10) class rooms though worked on still had cracks and the Chemistry Laboratory block had cracks running from the foundation to the roof and the walls were almost falling.

64. District Education Office – Sesheke

(a) Distribution of books

An examination of records relating to the distribution of books revealed that there were no stores records maintained. It was observed in this regard that 1,925 text books of various titles

purported to have been delivered to Sesheke from Lusaka could not be accounted for.

(b) **School Infrastructure**

Kashimu Basic School

The school had an approved budget of K224,050,000 for the construction of 1 x 3 classroom block, three (3) staff houses and eleven (11) VIP latrines, of which K80million was released in 2003. In this regard, in October 2003, the school entered into a labour only contract with a local contractor at a contract price of K39,600,000 and with an estimated completion date of March 2004.

A review of records and a visit to the school in June 2004 revealed that:

- (i) Out of the K80,000,000 released, the school had spent a total amount of K75,435,000 on materials, transport and allowances leaving a balance of K4,565,000.
- (ii) The cash book was not properly maintained in that the cheque numbers, payee's, description of expenditure and amounts were not indicated and Payment vouchers were not prepared,
- (iii) In May 2003, the school purchased 200 pockets of cement at K6,800,000 of which 76 pockets costing K2,584,000 were rejected. A follow up in October 2004, revealed that 45 pockets had been replaced leaving a balance of 31 pockets costing K1,054,000.
- (iv) The construction of the 1 x 3 classroom block had just started while the construction of the three (3) staff houses and eleven (11) VIP latrines had not started.

EASTERN PROVINCE

District Education Board - Lundazi

65. The district has 116 basic, 52 community and 8 secondary schools. During the year 2003, the district received funds totalling K1,495,300,000; School Grant (K1,248,000,000), Monitoring of school grant (K5,800, 000), School infrastructure (K 202,000,000), Monitoring of school infrastructure (K5,000,000) and for the Bursary Scheme (K34,500,000).

A visit to Pharaza Basic School in June, 2004 revealed that a total of K 7,800,000 was received in form of School Grants but expenditure incurred was not supported by invoices or cash sale receipts.

District Education Board - Chama

Books

66. There were 6070 books of various titles that were allocated to the district that had not been received as of June 2004.

67. District Education Board - Mambwe

(a) School grants

The district has twenty-nine (29) basic, seven (7) community and three (3) high schools and in 2003 the district received a total amount of K344,100,000, comprising School grants (K280,800,000), Monitoring (K5,800,000) and Bursary Scheme (K58,956,000).

An examination of expenditure and other records revealed that a total amount of K15,691,500 was spent on unrelated activities such as paying Headmasters Association fees and repair of teacher's houses. It was also observed that Mwandakwisano community school did not receive school grants totalling K7,800,000 in 2003.

(b) Bursary Scheme

There were no receipt and disposal details in respect of school uniforms costing K14,557,000 purchased in December 2003 and April 2004. Details of pupils who benefited were also not available. It was also observed that the account was not being reconciled.

COPPERBELT PROVINCE

68. District Education Office - Ndola

A total of K717, 300,000 was received in 2003 by the District Education Office for the following activities; School Grants (K 651,000,000), Bursary Funds (K57, 500,000), Monitoring of School Grants and Infrastructure (K 5,800,000) and Monitoring and supervision (K3,000,000)

An examination of expenditure records revealed that between July and December 2003, the District Education Office transferred a total of K13,420,000 from the Bursary Account to the Education Board Account to meet operational costs contrary to BESSIP guidelines. The funds had not been reimbursed as of October 2004.

69. **District Education Office - Kalulushi**

(a) **Muchinka Basic School**

(i) **School Grants**

There were no expenditure details in respect of school grants in amounts totalling K7,800,000 received during the year.

(ii) **School Infrastructure**

The school received a total of K152,000,000 for the construction of a 1x 3 Classroom Block, nine (9) VIP toilets and three (3) staff houses. A physical inspection of the works done revealed the following:

- ◆ The school did not maintain records for the materials purchased and how these were used. The Head Teacher did not know the requirement of keeping expenditure records until in 2004 when a workshop was held.
- ◆ Although the 1x 3 Classroom Block was completed, it was poorly plastered while the floor had cracks.
- ◆ Out of the three staff houses two were at roof level while the third one was at window level.

It was however observed that despite being funded K152,000,000 out of the budgeted K153,000,000, the project was still not complete as of June 2004.

(b) **Musakashi Basic School**

School Infrastructure

The school received K 152,000,000 for the construction of a 1x 3 Classroom Block, six (6) VIP latrines and 3 staff houses A physical inspection of the works done revealed that although records maintained by the District Buildings Officer indicated that the 1x 3 CRB was complete and in use, there was poor workmanship in the works , in that the wall plate timber was exposed and when the roof

was blown off, the purlin used when replacing it were too small. It was noted that while construction of the three (3) staff houses had started, works on the VIP latrines had not started as of June 2004.

NORTH WESTERN PROVINCE

70. District Education Office – Solwezi

(a) School Grants

The District Education Board was funded a total of K983,400,000 by the Ministry of Education HQ to disburse to all the Basic and Community schools in the District. A scrutiny of records revealed that three (3) schools namely St.Francis, Mafwe and Kangwena did not retire their third term grants totalling K7,800,000 while four (4) schools, Kambazhi, Kisasa, Shafibundu and Kishela which received grants totalling K31,200,000 did not maintain stores records. It was therefore not possible to ascertain the receipt and disposal details of the stores items purchased from the grants.

(b) School Infrastructure

Mapopo Middle Basic School

There were no receipt and disposal details in respect of building materials costing K19,559,019 purchased between March and June 2003.

71. District Education Office – Kabompo

(a) School Grants

The District Education Office received a total of K514,800,000 for disbursement to all the Basic and Community Schools in the District. A scrutiny of records revealed that out of the funds received, K494,000,000 was disbursed to the schools, K11,092,842 was still at DEO while the balance of K9,707,158 could not be accounted for.

(b) **Bursary Scheme**

The District Education Office in Kabompo was funded a total of K56,129,640 under the scheme. An examination of accounting records revealed that the cash book was not properly maintained in that four (4) payments in amounts totalling K11,526,700 were not recorded. It was also noted that bank reconciliations were not prepared.

(c) **School Infrastructure**

Maveve Middle Basic School

There were no disposal details in respect of building materials costing K19,267,000 bought between August and December 2003. It was also noted that an amount of K6,153,693 could not be accounted as of June 2004.

72. **District Education Office – Mufumbwe**

(a) **Unaccounted for Funds**

The District Education Office was funded a total of K237,800,000 by the Ministry of Education HQ to disburse to all the Basic and Community Schools in the District. The money was deposited into the BESSIP account. In addition, there was an amount totalling K14,011,465 in respect of the rehabilitation of Lalafuta Basic School (K13,692,086) and for school desks (K319,379) bringing the total funds in the account to K251,811,465. A scrutiny of accounting records revealed that K204,211,000 was paid to schools as school grants leaving a balance of K47,600,465. However, the cash book reflected a balance of K19,349,305 resulting into a shortfall of K28,251,160 which could not be explained as of June 2004.

(b) **Kamabuta Middle Basic School**

(i) **School Infrastructure**

The school received K110,000,000 out of an approved amount of K173,450,000 between the year 2001 and 2003 for

the construction of a 1x3 classroom block, 8 VIP latrines and two (2) staff houses. A scrutiny of records maintained at the school revealed that of the K60,000,000 funded in 2003, an amount of K29,840,200 had not been retired as of June 2004.

(ii) **School grants**

There were no receipt and disposal details in respect of stores items costing K2,477,000 purchased in 2003.

(c) **Shukwe Basic School**

School Grants

There were no receipt and disposal details in respect of stores items costing K2,857,700 purchased in 2003.

73. **District Education Office – Kasempa**

(a) **School Infrastructure**

A total of K914,500,000 was disbursed for the construction, maintenance and rehabilitation of infrastructure at various schools in the district between 2001 and 2003 from an approved budget of K1,026,200,000. However, it was observed that a total K300,986,800 remained unretired as of June 2004 and as a result, the schools could not access the balance of K111,700,000.

(b) **School Grant**

The District Education Office was funded a total of K391, 200,000 by the Ministry of Education HQ to disburse to all the Basic and Community schools in the District. A scrutiny of accounting records revealed that of this amount a total of K365,405,100 was paid to schools, leaving a balance of K25,794,900 which could not be accounted for as of June 2004.

(c) **Kandeke Middle Basic School**

School Infrastructure

The school received K100, 000,000 which was released between 2001 and 2002. The amount was disbursed to the school for the construction of a 1 x 3 classroom block, 10 VIP latrines, three (3) staff houses and digging of a well. A site visit revealed that the 1 x 3 classroom block had not been started and three (3) VIP latrines were uncompleted. It was also observed that the entire funding remained unretired as of June 2004.

The school had no stores records in respect of building materials procured in 2002 at a cost of K14, 815,200 making it difficult to ascertain whether they had been received and properly disposed of.

(d) **Kantenda Basic School**

School Grants

The school received a total of K7, 220,000 as school grants for the purchase of school requisites. The school did not maintain a cash book and no reconciliations were done during the year under review. Furthermore, there were no stock ledgers as a result it was difficult to ascertain whether the grant was appropriately used.

LUAPULA PROVINCE

74. **Provincial Education Office- Mansa**

The Provincial Education Office received K356,854,928 for construction, monitoring, HIV/AIDS, National Assessment, Training and monitoring and Annual Census.

(a) **BESSIP Account**

(i) **Unsupported Payment Vouchers**

The audit review disclosed a sum of K203,057,090 was not supported with receipts, quotations and other relevant documents.

(ii) **Special Imprests**

There were imprests issued for various activities in amounts totalling K125,892,559 which were not retired as of June 2004.

(b) **Sector Pool Account**

The Provincial Education Office received a total of K 202,025,960 from the Sector Pool Account in 2003. The funds were for National Assessment Data Collection (K38,492,960), Training and monitoring (K125,873,000), and annual census (K37,660,000). An examination of payments made revealed that four (4) imprest payments in amount totalling K132,735,000 made in 2003 were not retired as of June 2004.

75. **District Education Office – Mansa**

The District Education Office received a total of K 836,400,000 in 2003 in form of School Grants (K711, 600,000), Bursary Scheme (K115, 000,000), monitoring & supervision of School Grants and infrastructure (K9, 800,000)

An examination of accounting records in respect of the programmes revealed that the cash books were not regularly updated and not reconciled with bank statements and in particular, the following was observed:

(a) **School Grants**

Out of the total of K 711,600,000 received in 2003 for ninety (90) schools, K675,200,000 was disbursed to the schools leaving a balance of K36, 400,000 not accounted for. It was noted that eleven (11) payments totalling K28,600,000 effected through transfers were not supported by payment vouchers.

(b) **Bursary Scheme**

During the period under review, DEO borrowed an amount of K24,290,000 from the Bursary Scheme Account. As of June 2004 an

amount of K10,413,000 had been refunded, leaving a balance of K 13,877,000.

(c) **Receipt and distribution of books**

In 2003, the District received a total of 20,941 books of assorted titles out of an allocation of 24,595 books, leaving a balance of 3,654 Grade six (6) and seven (7) Social Studies books not received.

76. **District Education Board - Kawambwa**

(a) **School Grants**

An examination of records in respect of school grants revealed that eleven (11) instead of seven (7) community schools on the funding schedule, were paid grants, totalling K 23,000,000 against a budget of K18, 200,000. The source of the extra K4,800,000 could not be established. It was also noted that the targeted amount of K 2.6 million for each school was reduced by the District Education Office, for instance Kapembwa Community School was paid a total of K5,200,000 for three (3) terms in 2003 instead of K7,800,000. No reasons were given for the change in the amounts payable to the schools.

77. **District Education Office - Samfya**

School Infrastructure - Mano Basic School

In 2003 the school was funded a total of K 120 million for the construction of a 1 x 3 class room block, 3 staff houses and 7 VIP latrines. An examination of records in June 2004 revealed that K115,942,000 had been spent on the project leaving a balance of K4,058,000.

A site visit in July 2004 disclosed that the 1x3 classroom block was almost complete. The outstanding works on the block were painting, glazing and fixing of doors. The rest of the works consisting of construction of 3 x staff houses and the 7 VIP latrines had not started.

**HEAD : 80/25 - MINISTRY OF EDUCATION
WESTERN PROVINCE
BASIC SCHOOLS**

SUBHEADS : - VARIOUS

Accounting Irregularities - District Education Office, Lukulu

78. An examination of financial and stores records maintained at Lukulu District Education Office for the financial year ended 31st December 2003, revealed the following:

(a) Misappropriated Funds

It was observed during the audit that there were weaknesses in the handling of funds at the District Education Office in that the funds meant for examination fees, unclaimed wages and the Resource Centre were misappropriated as follows:

- (i) Out of the total amount of K27, 853,500 collected and receipted (Numbers 00032101 – 0032103), during the period, May to July 2003, only K26,449,000 was banked leaving a balance of K1,404,500 unaccounted for, as of October 2004.
- (ii) During the period under review, a total amount of K522, 600,000 was released to the district as school grant in respect of 72 Basic Schools. The amount was drawn by the Accountant for payments to the schools. An examination of records however revealed that out of the total amount drawn, an amount of K32, 700,000 meant for ten (10) schools was not accounted for.
- (iii) Out of an amount of K13, 400,000 deducted from sixty seven (67) schools as sports affiliation fees to the District Sports Association, an amount of K10, 000,000 was paid to the District Sports Association leaving a balance of K3,400,000 unaccounted for as of October 2004.
- (iv) In December 2003, the Department for International Development (D.F.I.D) released an amount of K142, 800,000 to the District Education Office for Teacher Training in Step into English (S.I.T.E) and Read On Course (ROC). The money was deposited in a Resource Centre account at a commercial bank in Mongu.

An examination of expenditure details revealed that out of a total amount released, K123, 748,700 was spent leaving a

balance of K19, 051,300 which were neither on hand nor in the account.

- (v) A scrutiny of wage sheets at the District Education Officer's office for the period 2002 to 2004 revealed that ten (10) teachers had either died resigned or were dismissed. It was noted however that although the unclaimed wages amounting to K24, 317,531 in respect of the above teachers were receipted and remitted to the Provincial Education Office, K23, 909,475 was accounted for leaving a balance of K408, 056.

(b) **Missing Accountable Documents**

Contrary to the provisions of Financial Regulations, no register of accountable documents was maintained by the Office. It was also observed that, the used General Revenue Cash Book and the Receipt Book (Numbers 1501-1566) were missing.

(c) **Unretired Special Imprests**

Contrary to the provisions of Financial Regulations, special imprests amounting to K104, 108,840 paid to various officers during the period had not been retired as of October 2004.

(d) **Unvouched Expenditure**

There were payments in amounts totalling K210, 961,451 involving 33 transactions which were unvouched due either lack of supporting documents or the payment vouchers were missing.

(e) **Unsupplied Office Tables**

In February 2003, the Lukulu DEBS office paid a total amount of K2, 800,000 to a local supplier for a supply of seven (7) office tables. It was observed however, that no competitive quotations were obtained and out of the total quantity, only two (2) low quality tables worth K800, 000 were delivered leaving five (5) tables costing K2,000,000 undelivered.

Although the management purported to have reported the case to the police, Police made no arrests, no Police Report was produced, and no Loss Forms were processed as of October 2004.

**HEAD : 80/36 - PROVINCIAL EDUCATION
OFFICE NORTH WESTERN
PROVINCE**

SUBHEADS : - VARIOUS

79. Weaknesses In Internal Controls

An audit carried out in June 2004, at the Provincial Education Office in North Western Province, revealed the following unsatisfactory features:

(a) Imprests

- (i) Out of the total amount of K4,939,536 imprests issued to four officers during the period from January to June 2003, only an amount of K240,000 had been retired leaving a balance of K4,699,536 unretired as of June 2004.
- (ii) Stationery costing K2,000,000 purchased from accountable imprest in May 2003 for use by the Teaching Service Commission had no receipt and disposal details as of June 2004.

(b) Internal Controls

There were weaknesses in the Internal Control System in that payments were made without the approval of responsible officers and some payments were made without being checked by Internal Audit section. In particular it was observed that:

(i) Approval of Payment Vouchers

It was observed that there was no written authority to assign officers the responsibility to approve payments for goods and services as a result several senior officers approved vouchers. In this regard, a total amount of K6,778,740 paid during the year under review was approved for payment by various officers without the authority of the Provincial Education Officer. The validity of such payments was questionable.

(ii) **Refunds to Staff**

Nine (9) payments totalling K4,326,270 were made to six officers as refunds for procuring fuel and other services for office use. An examination of the expenditure details revealed that there was no written authority allowing the officers to use personal funds. Furthermore, there was no evidence of the receipt and disposal of the goods and services procured.

It was further observed that fuel costing K1,166,270 purported to have been bought using personal funds had no details of receipt and disposal.

(iii) **Payments Not Pre Audited**

Twenty (26) expenditure vouchers amounting to K16,817,260 were processed and paid without being checked by internal auditors contrary to the standard procedure of processing payments. The processing of payments without the involvement of the Internal Audit Unit may lead to fraudulent payments.

A review of management response to the internal audit reports revealed that serious issues raised in the year under review had remained unattended to as of June 2004. In particular the following issues had not been resolved:

(c) **Kangwena Basic School**

- (i) The project committee removed asbestos sheets from a 1 x 2 classroom block in the process damaging all except twenty nine (29) sheets. The twenty nine were sold for K340,000 without following government procedures on disposal of assets and no authority was obtained from either the District Education Officer or the Provincial Education Officer.

It was also observed that the classroom block had developed cracks and the pupils had been re-allocated to a nearby church building. Furthermore, the funding

expected from ZAMSIF was not received and the school is deteriorating further.

- (ii) The school project committee could not account for K18,745,805 after withdrawing K24,700,000 cash and only paid out K5,954,195 as salaries/wages between March 2001 and October 2002. No disciplinary action had been taken against the culprits and the money had not been recovered as of June, 2004.
- (iii) Furthermore, the Project Secretary could not account for K1,087,360.91 which he fraudulently obtained on the pretext that he was going to pay wages to project workers who neither acquitted nor received the money. The amount had not been recovered from the teacher and no other disciplinary action has been taken as of June 2004.
- (iv) A physical stock count revealed that building materials costing K6,636,100 which were shown as balances in stock were actually not in stock at time of audit in February 2004. There has been no response from management or committee and the Head Teacher who was responsible for stores had retired from the Civil Service. The missing stores items had not been recovered as of June 2004.

HEAD : 89/01 - MINISTRY OF AGRICULTURE AND CO-OPERATIVES

SUBHEAD : - VARIOUS

80. Irregularities In The Management Of Southern Province Animal Disease Control Revolving Fund

In order to mitigate the negative impact of the depleting Cattle population in the Province and to maximize agricultural production and household food security, the then Republican President made a pledge of K2 billion from the Presidential Fund in October 1998. The money was to be put in a revolving fund from which farmers and veterinary assistants would be paid loans and would also be used for the production of cattle vaccines.

Out of the total pledge of K2 billion, K1.5 billion meant for loans to small scale farmers and veterinary assistants was released in 1999 while the K500 million meant for the production of cattle vaccines at the Zambia Institute of

Animal Health (ZIAH) had not been released as of May 2004. The amount released was deposited into an account at the Zambia National Commercial Bank (ZNCB) in Choma .

According to the guidelines, there were to be two categories eligible to qualify for loans under the revolving fund. The first group comprised small scale farmers who were required to form themselves into co-operatives, associations or societies and the second group comprised Veterinary Assistants who would be eligible for drug kits and motor bike loans.

The loans for the farmer groups would be secured against their livestock or other suitable property while the salaries for the Veterinary Assistants would constitute the guarantee for repayments.

The selection criteria for the farmer groups would depend on demonstrated infronts contribution of 10 percent in cash, a commitment to maintain dipping records and repayment of the loan.

An examination of records, in May 2004, pertaining to the programme disclosed that of the K1.5 billion released, a total amount of K668,760,750 had been paid to small scale farmers and Veterinary Assistants leaving a balance of K831,239,250 which had since accumulated to K1,547,627,952.

It was however observed that, of the loans paid to the farmer groups, only an amount of K44,692,162 had been recovered as of May 2004 representing 7 percent of the loans paid. A scrutiny of records regarding the loan repayments from small scale farmers and Veterinary Assistants revealed that:

(a) **Drug Kits and Equipment Loans**

In an effort to take drugs closer to the farmers, ninety four (94) Veterinary Assistants were paid a total amount of K64,295,468 during the year 2000. However, contrary to the guidelines, the loans had not been repaid as of May 2004.

(b) **Motor Cycle Loans**

Thirty One (31) motor cycles valued at K82,049,583 were distributed on loan to Veterinary Assistants in ten (10) Districts during the year 2000. Contrary to the guidelines, no recoveries had been made from the recipients as of May 2004.

(c) **Disbursement of Farmer Groups**

A total amount of K890 million was disbursed to ten (10) districts during the period January 1999 to May 2001 for onward lending to farmer groups. Out of the total disbursements, a total amount of K668,760,750 had been loaned to farmer groups as of May 2004 leaving a balance of K221,239,250 unutilised in the districts and was subsequently transferred to the account at the ZNCB in Choma.

Inquiries revealed that the funds had not been utilised because the farmer groups had not met the set requirements.

**HEAD : 89/01 - MINISTRY OF AGRICULTURE & CO-OPERATIVES
HUMAN RESOURCE AND ADMINISTRATION**

SUBHEAD : 410/002 REHABILITATION OF MPIKA AGRICULTURAL COLLEGE

81. **Irregularities In Accounting For HIPC Funds**

A total provision of K1,500,000,000 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2002 for rehabilitation works at Mpika Agricultural College. Out the total provision, a total amount of K500,000,000 was released by the Ministry of Finance and National Planning. The works included the rehabilitation of students' classrooms, lecture theatre, laboratories, library, students' hostels, ablution blocks, the kitchen, dining room and the restocking of the farm with cattle and poultry.

A review of the pertinent records maintained at the College revealed the following observations:

(a) **Beef Cattle**

In September 2002, the College paid a total amount of K59,700,000 to C and J Hartley Farm for the supply of 50 bullying heifers, 2 bulls and 44 weaned Heifers all totalling ninety six (96). It was however observed that;

- (i) One bullying heifer valued at K750,000 had not been delivered as of August 2004,

- (ii) During the period between December 2002 and July 2004 nine heifers valued at K6,750,000 died due to lack of consistent dipping despite the availability of medicine. No loss reports had been processed as of August 2004.

(b) **Point Of Lay Chickens**

In October , 2002 the college paid a sum K23,500,000 to Yield Tree Pullets Rearers of Lusaka, for the supply of 1000 point of lay pullets. Records held at the poultry section disclosed the following:

- (i) Out of the total of 1000 birds delivered, 210 died due to illness, 671 were sold while 119 valued at K2,388,000 could not be accounted for. As of August 2004, no loss report had been processed.
- (ii) Although 210 birds costing K4,935,000 died due to shortage of feed stock and drugs, there was no loss report raised as of August 2004 contrary to the provisions of the Financial Regulations.
- (iii) The forty-nine (49) members of staff who obtained forty-nine (49) layers costing K588,000 in March 2004 had not paid for them as of August 2004.
- (iv) The daily and monthly records summary sheets were not produced to determine layer stocks and eggs collected and sold for the period between October 2002 and November 2003.

(c) **Nugatory Expenditure – Repair Of Mitsubishi Truck**

In November 2002, the College paid an amount of K11,000,000 to Delf Investment for purchase of a crankshaft and liner kits. It was observed that the truck later developed a knock engine after working for less than a month and was still unserviceable as of August 2004. The expenditure incurred is therefore a waste of public funds.

(d) **Rehabilitation Of Students' Hostels**

In October 2002, the college entered into a contract with the Zambia National Service for the rehabilitation of the student's hostels at a contract price of K67,172,160. The scope of works involved fitting glass panes, ceiling boards, painting and fitting electrical fittings.

A scrutiny of the payments revealed that although the contractor was paid in full, no stage completion certificates were issued.

A visit to the site in August 2004 revealed that the contractor had not completed the works and had since abandoned the site.

The unfinished works included fabrication of burglar bars for windows in the girls' hostel, painting, mending of wall cracks, beam filling, fitting of electrical fittings, fitting of ceiling boards and welding of burglar bars in the boys' hostels.

**HEAD : 89/09 - MINISTRY OF AGRICULTURE
AND CO-OPERATIVES
DEPARTMENT OF
CO-OPERATIVES**

SUBHEADS : - VARIOUS

82. Accounting Irregularities – Mansa Farm Training Institute

An examination of financial, stores and other records maintained by Mansa Farm Training Institute for the year ended 31 December 2003 revealed the following:

(a) Misapplication of Revenue

A total amount of K65,255,500 was collected as revenue by Mansa Farm Training Institute during the period July 2002 to August 2003. An examination of revenue records revealed that out of the total collection, K50,566,727 was used for paying subsistence allowance (K3,312,000) and special imprest (K47,254,727), contrary to the provisions of the Financial Regulations. As of December 2003, the imprest had not been retired.

(b) Unaccounted for Expenditure

In September 2003, the Farm Manager drew cash amounting to K7,240,000 to meet various payments. A verification of expenditure details in respect of the cash drawn, revealed that only K769,600 was supported by expenditure receipts while the balance of K6,470,400 could not be accounted for.

(c) **Sinking of Borehole**

Due to perennial water shortage at the Institute, the Ministry of Agriculture engaged Stewart and Lloyds in 2001, to sink a borehole. The borehole was to be equipped with a submersible pump, and a 1,000 litres tank was to be mounted. It was observed that although the contractor was paid, the works were not up to the required standards as the borehole only worked for three (3) months after commissioning it. Although the contractor was informed of the problem, no action had been taken as of 31st December 2003.

A site visit in September 2003, revealed that a control panel, switching mechanism and circuit breakers were stolen and no loss report had been processed.

(d) **Missing Submersible, Booster Pump And Other Stores Items**

A physical inspection of the equipment and scrutiny of stores records in September 2003 revealed that:

- (i) A Submersible and booster Pump whose value could not be ascertained and were removed and taken for repairs outside the province had not been returned as of December 2003;
- (ii) There were 83 x 2” G 1 pipes worth K18,675,000 and 120 x 6’ corrugated iron roofing sheets valued at K5,360,000 which were stolen from the Farm Training Centre and as of 31st December 2003 no loss report had been processed.

(e) **Irregular Acquisition of Farmland**

It was observed at the time of audit that Mansa Farm Training Centre infrastructure for livestock production has been vandalised while land where the Institute’s piggery and chicken runs were, had been taken over by an individual who bought the adjacent offices of the liquidated Luapula Province Cooperative Union and by the members of staff at the Provincial Agriculture Coordinator’s Office without the authority from either the Ministry of Lands or Agriculture and Co-operatives.

**HEAD : 92 - OFFICE OF THE PRESIDENT
CENTRAL PROVINCE**

SUBHEADS: - VARIOUS

83. Misapplication of Funds and Other Accounting Irregularities

A total provision of K14,481,925,419 was made in the Estimates of Revenue and Expenditure for the financial ended 31 December 2003. Out of the total provision, K8,985,408,715 was released.

An examination of accounting records for the period under review revealed the following:

(a) Misapplication of Funds

Out of the total amount of K8,985,408,715 released, a total amount of K4,046,374,418 was for Personal emoluments. It was however observed that, out of the total amount released for Personal emoluments K231,590,342 was misapplied to other expenses such as payment of special imprests, loans and advances. Consequently, the Provincial Administration failed to remit Pay As You Earn (PAYE) amounting to K378,611,901. The failure to remit PAYE may attract penalties from Zambia Revenue Authority (ZRA).

(b) Delayed Remittance of Pension Contributions

There were delays in remitting Pension contributions amounting to K135,275,906 for periods ranging from six (6) to seven (7) months resulting in penalties of K334,684 being charged by Pension Fund.

(c) Unretired Special Imprests

According to the provisions of Financial Regulations, no subsequent imprests should be issued before earlier ones are retired, and imprests issued should be retired within 48 hours after the purposes for which they were issued have been fulfilled. It was observed however, that contrary to the provisions of Financial Regulations, special imprests amounting to K685,953,983 issued during the year had not been retired as of June 2004.

(d) **Irregular Retirements**

In October 2003, an imprest of K50, 000,000 was drawn in the name of the Principal Accountant to facilitate Independence day Celebrations without a supporting budget to show activities for which it was drawn.

Out of the total amount of K50,000,000 drawn, a total amount of K44, 000,000 was subsequently reissued to eleven (11) other officers, who included 4 District Commissioners who were paid a total of K12,000,000.

A scrutiny of retirement receipts revealed that although the amount paid to the four (4) District Commissioners had not been retired, a Journal Voucher raised on 31 December 2003 showed as though the full amount of K50,000,000 was retired.

(e) **Stores**

There were no receipt and disposal details in respect of stores items costing K12,160,000 ordered and paid for during the period 2003.

(f) **Missing Payment Vouchers**

A total of Fifty-Two (52) payment vouchers at the Provincial Administration in amounts totalling K151,227,041 were missing.

**HEAD : 93/01 - OFFICE OF THE PRESIDENT
NORTHERN PROVINCE
HEADQUARTERS**

SUBHEADS: - VARIOUS

84. **Failure to Collect Hire Fees and Other Accounting Irregularities**

An examination of financial and other related records maintained at the Provincial Administration revealed the following:

(a) **Irregular Hire of Government Equipment**

During the period between 2001 and 2004, the Provincial Roads Engineer (PRE) leased out Government equipment such as CAT-Excavator, Drilling rig and a compressor, CAT-950 front loader, Truck loader, Shangai D9 bulldozer, Hino tipper, CAT 16 grader and a 45000 litres hawk bitumen storage tank to three private companies namely, JJ Lowe, Sable Transport and Agro-Fuel Investments. It was observed however that:

- (i) There were no lease agreements signed with the companies except for Sable Transport in respect of the bitumen storage tank which was signed retrospectively. Although an agreement had been signed, the private company had not settled the total amount of K13,000,000 outstanding as of October 2004.
- (ii) No hire fees had been collected for all the equipment (except the bitumen storage tank) that was leased out and no action appears to have been taken as of October 2004.
- (iii) The equipment (CAT excavator GRZ5-423, Drilling rig, Compressor) leased out to JJ Lowe had gone missing. As of October 2004, no loss report had been processed. It is therefore, possible that the equipment is being used by the private company without any benefits accruing to the Government.
- (iv) The Shangai D9 Bulldozer GRZ 2-375 leased to Sable Transport in 2001, was returned in June 2002 in an unserviceable condition and no claim had been lodged with the private company.

(b) **Stores**

A scrutiny of stores records maintained by the PRE revealed that:

- (i) There were no receipt and disposal details in respect of 9,497 litres of diesel costing K40,042,845 used during the construction of Lwitikila and Chambishi bridges. It was noted that out of the 9,497 litres of diesel, 7,623 litres costing K31,850,120 purchased for use on the works at the Lwitikila Bridge was not on the bill of quantity. The basis for the procurement of the diesel was therefore questionable.
- (ii) 415 pockets of cement costing K15,895,000 purportedly purchased between June 2003 and January 2004 for use at Lwitikila Bridge had no receipt and disposal details.

- (iii) There were no receipt and disposal details in respect of stores costing K34,055,000 purchased between June and September 2003.

**HEAD : 94/01 - OFFICE OF THE PRESIDENT
WESTERN PROVINCE
HEADQUARTERS**

SUBHEADS : - VARIOUS

85. Accounting Irregularities

During the financial year ended 31st December 2003, a total provision of K18,683,501,358 was made in the Estimates of Revenue and Expenditure. Out of the total provision, an amount of K9, 814,497,524 was released by the Ministry of Finance and National Planning leaving a balance of K8, 869,003,834.

An examination of financial records maintained at the Provincial Accounting Control Unit (PACU) and site inspections of projects carried out in May 2004 revealed the following:

(a) Main Account

Bank Reconciliation

A review of bank reconciliation statements for the year under review in respect of the main account revealed that there were erroneous debits to the account in amounts totalling K14,233,307 dating back to January 1998. As of June 2004, no action had been taken to correct the situation.

(i) Unretired Imprest

There were one hundred and twelve (112) transactions involving a total amount of K 354, 113,732 which, though recorded in the imprests registers, as having been retired had no documentary proof of retirement as of June 2004.

(ii) Unrecovered Loans and Advances

Advances and loans amounting to K56,998,417 paid during the period January 2000 and February 2004 had not been recovered as of June 2004. It was noted that some of the

officers who were paid had since retired, been dismissed or are deceased.

(b) **Government Guest Houses**

There are two Guesthouses in Mongu namely, Presidential and Katongo. The Katongo Guest House was used as the official residence for the Provincial Deputy Minister. Due to the dilapidation of the house, the Minister moved to the Presidential guesthouse to allow for rehabilitation works. In this regard, in 1999 the Provincial Administration engaged Messrs Minestone to carry out the works within a period of six weeks at a contract price of K194,054,500. The contractor moved on site in September 1999.

A scrutiny of records carried out in June 2004 revealed that due to delays in paying the contractor, the works were abandoned in June 2001. It was observed that although the contractor was later paid a total amount of K67,616,350 out of total certified works valued at K102,573,663 leaving a balance of K34,957,313, the contractor had not resumed work as of June 2004 and the Minister had continued residing in the Presidential guesthouse.

There was no indication that the rehabilitation works would resume in the near future as the house was now being occupied by police officers and their families.

(c) **Wasteful Expenditure - Permanent Secretary's Residence**

In May 2000, a contract was awarded to Messrs J.K Contractors Limited for the rehabilitation of the Permanent Secretary's residence at a contract sum of K244, 530,262. The contract was for a period of 13 weeks commencing on 19th June 2000 and was to be completed on 9th October 2000.

The works involved among others, replacing the ceiling board, mending cracks and replastering, fit new electrical wiring, supply and install one (1) under ground tank complete with booster pump.

An examination of records and a site visit in May 2004 revealed that:

- (i) Contrary to the signed contract, the Permanent Secretary varied the works to include the replacement of the entire roof and addition of up to three courses of blocks to raise the height of the house. It was however observed that no Tender Board authority was obtained for the variations.
- (ii) As of June 2001, the contractor had been paid a total amount of K215,000,000 and had an outstanding claim of

K54,670,410 for certified works (K25,140,148 above the contract price). The contractor however abandoned the works due to a dispute with the Permanent Secretary, the buildings department and the contractor. The concerned parties could not agree on the variation in the scope of work which the contractor had indicated would need an additional funding of K250,000,000 to complete.

(iii) A visit to the site in June 2004, revealed that there has been no progress since the contractor abandoned the works in June 2001. In particular the following were observed:

- The roof which was removed in 2001 on the instruction of the Permanent Secretary had not been replaced;
- Electrical fittings, Carpentry fittings, Floor tiles and plumbing material fitted by the contractor had been removed and were missing;
- Materials removed from the house were missing and no record of disposal was kept;
- Shrubs and grass had started growing in and outside the building due to lack of maintenance.

It is discernable from the above that the amount of K215,000,000 paid to the contractor was a waste of public funds as the house is still inhabitable.



Permanent Secretary's official residence under renovation – Front view



Inside View



Side View



Back view

(d) **Government Rest Houses**

The province has eight (8) GRZ Rest Houses located in Mongu, Kaoma, Sesheke, Senanga, Lukulu, Kalabo and Katima Mulilo. In 1989 the Permanent Secretary Ministry of Finance and National Planning issued a directive to operate “a working account” to finance Government Rest House activities in the province including renovations and minor works. In this regard, a Rest House Revolving Working Account was opened with the Zambia National Commercial Bank Mongu Branch in 2000. Among many other directives, the bank reconciliations were to be sent to the Permanent Secretary, Ministry of Finance and National Planning and the Auditor General by the 21st of the following month.

A review of the financial records for the period January 2003 to April 2004 revealed the following:

- (i) Only a sum of K36, 445,000 was collected and banked from Kalabo, Lukulu, Sesheke, and Senanga rest houses and nothing from the four (4) Rest houses (Mongu Grade two, Kaoma GRZ grade one, Kaoma GRZ Grade two, and Katima Mulilo Rest Houses).
- (ii) Contrary to the directives, bank reconciliation statements were not prepared and sent to the Permanent Secretary, Ministry of Finance National Planning and the Auditor General every 21st of the following month.
- (iv) A visit to Mongu Grade Two Rest House revealed that the rest house was being occupied by two officers and their families from Mongu Lodge who were not contributing anything towards boarding and lodging.

(e) **Outstanding Fuel Debt To Government Stores**

In 1991, when Government Stores stopped operating the fuel depot in Mongu, the Provincial Accounting Control Unit (PACU) took over the operations of the depot.

It was observed that because most departments drew fuel on credit and did not settle the bills the depot ceased its operations in 1998. At the time of ceasing operations, the depot was owed a total amount of K160, 328,772 by nineteen (19) government departments.

HEAD	: 99/01	-	CONSTITUTIONAL AND STATUTORY EXPENDITURE
SUBHEADS :	702	-	DEBT SERVICE – INTERNAL
	703	-	DEBT SERVICE - EXTERNAL

86. Weaknesses In The Management Of Debt Stock

In paragraph 141 of the Auditor General’s report for the financial year ended 31st December 2000, mention was made of Zambia’s external debt amounting approximately to US\$3.5 billion which was 58 percent of the total debt stock owed to multilateral institutions. Bilateral creditors were owed a total of US\$2.4 billion which was 40 percent of total debt stock of which 92 percent was to the Paris Club creditors. The local debt from private and parastatal companies amounted to US\$172 million, representing 2 percent of the total debt.

In its report for the First Session of the Ninth National Assembly, the Public Accounts Committee (PAC) called for more concerted efforts to reduce the domestic debt stock in order to enable local businesses operate more effectively.

A review of the situation in September 2004 revealed weaknesses in the management of debt stock in that no ledgers were maintained to track and monitor the movement of debt stock and the debt stock figures had not been reconciled.

In this regard, the Government had an estimated debt stock figure of US\$6.7 billion as at 31st December 2003 comprising of bilateral, multilateral and domestic debt (private and parastatal) as detailed below:

	<u>2003</u> <u>US\$ '000</u>	<u>2002</u> <u>US\$ '000</u>
<u>Bilateral</u>		
Total Paris Club	2,044,487	2,343,118
Total Non-Paris Club	<u>246,418</u>	<u>271,715</u>
Total Bilateral	<u>2,290,905</u>	<u>2,614,833</u>
<u>Multilateral Loans</u>		
ADB/ADF	219,817	296,201
IMF	1,065,113	965,900
Others	<u>2,578,407</u>	<u>2,593,071</u>
Total Multilateral	<u>3,863,337</u>	<u>3,855,172</u>
Total External Debt	6,154,242	6,470,005
Private & Parastatal	<u>546,552</u>	<u>670,430</u>
GRAND TOTAL	<u><u>6,700,794</u></u>	<u><u>7,140,435</u></u>

As can be noted from the table above, the total debt stock reduced from US\$7.1 billion in 2002 to US\$6.7 billion in 2003. The decrease in the debt stock was partly attributed to regular debt service payments to the Paris Club and multilateral creditors

(a) **Japanese Non-Project Grant Aid**

In paragraph 30 of the Auditor General's report for the financial year ended 31 December 2000, mention was made of the payment of Japanese Non Project Grant Aid to various beneficiaries. In this regard, a total amount of K33,149,440,412 was paid between 1995 and 1998, out of which only K12,088,898,950 had been recovered by the Ministry of Finance and National Planning.

Due to the poor recovery rate, the Ministry of Finance and National Planning in 2002 handed over the total debt of K30,521,496,366 to the Ministry of Justice Debt Recovery Unit for recovery. As of September 2004, a total amount of K4,169,144,286 had been recovered from the debtors leaving a balance of K26,352,352,080.

It was observed however that the amount recovered had not been remitted to the Ministry of Finance and National Planning as of September 2004. Further the process of recovering the loans appeared slow despite the Public Accounts Committee's directive that the debtors be vigorously pursued.

In her status report of 17th March 2004 addressed to the Secretary to the Treasury on the collection of the debts, the Permanent Secretary at the Ministry of Justice highlighted the problems faced by her Ministry as among others the absence of loan agreements in a number of cases to confirm the loans paid, inadequate details of debtors' addresses and that some companies or individuals had either relocated or gone under liquidation.

It is apparent that if no extra efforts are made, the Government will not be able to recover the money, loaned out to various beneficiaries.

(b) Unverified Domestic Debt Settlements

A sample of debt settlements in amounts totalling K174,782,051,296 made to nineteen (19) institutions during the period under review could not be verified due to lack of supporting documentation. It was therefore difficult to ascertain the reasonableness and authenticity of the payments made.

**RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE
WHICH HAVE NOT OR HAVE BEEN PARTLY IMPLEMENTED**

87. In the Audit Report for the financial year ended 31st December 2002, mention was made of 294 issues, which were outstanding. During the course of 2004, 120 issues were resolved bringing the number of outstanding paragraphs to 174 as at 31st December 2004. However, when preparing this Report, the Treasury Minutes and Action Taken Report on the Reports of the Public Accounts Committee for the First Session of the Ninth National

Assembly and for the Third Session of the Ninth National Assembly had not been prepared by the Ministry of Finance and National Planning, consequently issues pertaining to the Reports of the Auditor General on the Accounts for the Financial years ended 31st December 2001, 2002 and on the Review of the operations of the Public Service Pensions fund for the period January 1997 to March 2002 have therefore, not been included.

The Appendix to this Report summaries the 174 issues, which were outstanding as at 31st December 2004.

**AUDIT OFFICE
HAILE SELASSIE AVENUE
LUSAKA**

**ANNA O CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA**

31st December 2004

APPENDIX

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE NINTH NATIONAL ASSEMBLY

Report of the Auditor General on the accounts for the financial year ended 31st December 2000.

- Para 15(20) Revenue Collections – Progress made on the matter.
- Para 16 (21) Non – Tax Revenue Collection – Progress made on the matter.
- Para 17 (22) Non – Remittance of Recoveries – Whether the progress report on the outstanding rentals have been submitted.
- Para 20(25) Accounting for Revenue and other Irregularities, Lusaka – As regards progress made on the matter.
- Para 24 (29) Zambia Privatisation Fund – Progress made on the matter.
- Para 25(30) Japanese Non-Project Grant Aid (JNPGA) and Counter Value funds – Progress made on the matter.
- Para 34 (39) Other Accounting Irregularities – As regards progress made on the matter.
- Para 35 (40) Funds for Elections – As regards progress made on the issues raised.
- Para 41 (48) Constituency Development fund, Kafue District – Progress made on the issues raised.
- Para 50 (60) Payments of Compensation – Whether a progress report has been submitted on the issues raised.
- Para 51 (61) Agriculture Loan Repayment 1996/97 Seasons – Progress made on the matters raised.
- Para 52 (62) Sale of Assets, Retrenchments, Retraining Programme and Outstanding Creditors – Progress made on the issues raised.
- Para 53 (64) Accounting Irregularities – Progress made on the matter.
- Para 54 (65) Publications Department – Progress made on the issues raised.
- Para 55 (66) Bank Accounts – Progress made on the matter.

- Para 58 (69) Release of Funds and other Census Materials to CSO Provincial Offices – As regards progress made on the issues raised.
- Para 61 (73) Review of Operations – Whether the progress report has been submitted.
- Para 62 (74) Funding to PUSH from January 1999 to December 2000 – Whether the verification has been done.
- Para 63 (75) Funding from World Food Programme – Progress made on the issues raised.
- Para 66 (78) Non-Recovery of Loans Distributed to Women’s Clubs – Progress made on the recovery of the outstanding K4.16 million.
- Para 68 (80) Progress made on the issues raised.
- Para 69 (81) Accounting and Management of Hammer Mills Loan Project – Progress made on the issues raised.
- Para 70 (82) Hammer Mill Loan Recoveries – Progress made on the matters raised and clarification as regards the funds transferred to first Alliance Bank and the status of the Bank.
- Para 73 (85) Construction of Boundary Wall Fences at VIP Houses – Whether the verification has been done.
- Para 74 (86) Rehabilitation of National Assembly Motel Phase II – Whether a progress report on the court case and the administrative action taken and a report on the completion of the project.
- Para 76 (88) Emergency Repairs to the Nalusanga gate to Kaoma stretch – Progress made on the matter.
- Para 83 (95) Mutanda-Kasempa Road – Whether the authority from the Secretary to the Treasury has been sought before effecting the proposed debt-swap.
- Para 111 (123) Special Imprests – Whether the loss report has been prepared.
- Para 102(114) Chiengi – Kaputa Road – Progress as regards the recoveries from the Contractor.
- Para 112 (124) Bursary Awards to Students for 2000 – Progress made on (e) and (f).
- Para 122(134) Salaries Account Provincial Accounting Control Unit, Ndola – Progress made on the issues raised.

Para 124(136) District Administrator's Offices – Northern Province – Progress made on the matter.

Para 125(137) Rehabilitation of Traditional Court Building – Lealui Palace, Mongu – Progress made on the matter.

Para 126 (138) Weaknesses in Accounting for Assets – Progress made on the issues raised.

Para 127(139) District Administrator's Account – Progress made on the issues raised.

Para 128 (140) District Administrator's Account – Whether the former District Administrator had made good of K1,140,000.00.

Para 130(142) Guarantees – Progress made on the matter.

Para 131 (143) Bridging Loan – Progress made on the investigations.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FOURTH SESSION OF THE EIGHTH NATIONAL ASSEMBLY.

Report of the Auditor-General on the accounts for the financial year ended 31st December 1998.

Para 12(18) Weaknesses in the collection of revenue – Progress on the recovery of \$85,000.

Para 12(20) Accounting and other irregularities – Progress made on the issues raised.

Para 18(24) Weaknesses in accounting for innovation Funds – Progress made on the matter.

Para 19(25) Accounting Irregularities – Progress made on item (b)(iv).

Para 21(27) Accounting Irregularities – As regards progress made on the issues raised.

Para 22(28) Accounting and other Irregularities – Progress made on the issues raised.

Para 41 (47) Misappropriation of funds, Co-operative college – Progress report on the court case.

Para 42(48) Lease of Masaiti Farmer Institute – Progress report on the K7,957,000 deposited in the personal bank account.

- Para 43(49) Fraudulent accounting for salaries, wages, Long service bonuses and other accounting irregularities – As regards progress made on the issues raised.
- Para 45(51) Accounting Irregularities – Progress made on the issues raised.
- Para 49(55) Accounting Irregularities – Progress on the payment of the balance of K56.6 million

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHTH NATIONAL ASSEMBLY.

Report of the Auditor-General on the accounts for the financial year ended 31st December 1997.

- Para 39(33) Irregularities in Accounting for Elections Funds-Regarding progress made on the matters raised.
- Para 42(36) Delays in completion of the Project-On the submission of the progress report as directed by the committee.
- Para 46(40) Accounting Irregularities-Progress on the items (d) & (e).
- Para 48(42) Irregularities in the execution of the project-As regards progress made on the matters raised.
- Para 50(44) Irregularities in Accounting and Maintenance of stores records-Progress made on the matter.
- Para 54(48) Road Rehabilitation and maintenance-As regards progress made on the recoveries.
- Para 55(49) Road Rehabilitation and Maintenance-Progress on item (e) (ii).
- Para 56(50) Road rehabilitation and Maintenance-As regards progress made on the matter.
- Para 58(52) Irregularities in the Management of Constituency Funds-As regards progress made on the matter.
- Para 59(53) Irregularities in the Management of Chiefs' Subsidies and Kapasus' Wages – progress made on the matter.
- Para 61(55) Lack of Control over spares purchased for District Councils-Progress made on the matter.

- Para 62(56) Irregularities in the Management of the Chemical Revolving fund-Progress made on the issues raised.
- Para 65(59) Irregularities in the Administration of Public Welfare Assistance and Health Care-Progress made on the matter.
- Para 66(60) Purchase of Ndeke House-Progress made on the issues raised.
- Para 71(65) Accounting Irregularities-Progress made on the matter.
- Para 74(68) Failure to account for Salaries and other accounting irregularities-Progress made on the construction of the hospital.
- Para 77(71) Accounting irregularities - Progress made on the matter.
- Para 78(72) Purchase of school desks-Regarding progress made on the matter.
- Para 79(73) Distribution of Desks - As regards action taken on the matter.
- Para 80(74) Fraudulent Remittance of Funds abroad-Progress on the outcome of investigations on the fraudulent remittance of US\$412,750 to an individual's account in the United States of America.
- Para 81(75) Inadequate Control over Payment of Teachers' Allowance-As regards progress on the unclaimed wages.
- Para 82(76) Rehabilitation of primary and secondary schools-Progress made on the matter.
- Para 83(77) Irregularities in the payment of students' allowances-As regards progress made on the matter.
- Para 84(78) Misappropriation of funds-Progress made on the matter.
- Para 85(79) Accounting Irregularities-Progress made on the matter.
- Para 86(80) Irregularities in accounting for Teachers' salaries, stores, Foodstuffs and Boarding and other fees-Regarding progress made on the matter.
- Para 90(84) Irregularities in Accounting for Investment Funds-As regards action taken on the matter.
- Para 93(87) Construction of Gene Bank, Seed Store and Offices-As regards action taken against the Director of Buildings.
- Para 95(89) Failure to Account for Stores-Progress regarding K16,655,835.

- Para 101(95) Weaknesses in Accounting for Foodstuffs ordered and received-Progress made on the matter.
- Para 102(96) Weaknesses in control over Below-the-line accounts-Progress made on the matter.
- Para 103(97) Lack of control over special imprests-Regarding progress made on the matter.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor General on the accounts for the Financial year ended 31st December 1996.

- Para 5(11) Failure to reconcile accounts-Whether a Progress Report on the matter has been prepared.
- Para 13(21) Collection of Revenue from Sale of State Owned Enterprises-Regarding progress made on reconciling outstanding balance.
- Para 18(23) Collection of Revenue from fuel levy-Whether a report of the sum of K3,199,713,900, the difference between K13,863,266,700 and K3,799,713,900, K1,983,693,000 in 1995 and K1,264,995,800 in 1996 has been submitted.
- Para 19(24) Revenue from Sale of State Owned Enterprises-As regards progress made on the matter.
- Para 21(26) Irregularities in Accounting for funds for elections-Action taken against the senior officer.
- Para 23(28) Delays in the construction of Chancery and Residence-As regards progress made on the matter.
- Para 26(31) Accounting Irregularities-Whether progress report has made.
- Para 27(32) Accounting Irregularities-As to whether US \$2,000 has been recovered from the officer who was transferred to Harare and from the officer who was dismissed.

- Para 31 (36) Commodity Grant-As regards progress made on the issues.
- Para 32 (37) Delays in Repayment by the Traders who benefited from the mealie meal import facility-Action taken on the matter.
- Para 41(46) Non-Delivery of motor vehicles-As regards progress made on the matter.
- Para 42(47) Review of Operations of the National Trust Fund for the Disabled-As regards progress made on the matters.
- Para 46(51) Lack of Control over Youth Projects-As regards progress made on the matter.
- Para 52(56) Failure to collect stores paid for and other irregularities-As regards action taken.
- Para 56(60) Third Party Deposits-Lack of effective supervision over USAID Social Action Programme-As regards progress made on the matter.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor General on the Accounts for the year ended 31st December 1995.

- Para 9(17) Cash shortage and failure to collect land rent, Lands Department-As regards progress made to collect the land rent of (now K108,122,346.00).
- Para 10(18) Failure to collect ground Rents, Lands Department, Mongu-Whether the outstanding ground rents have since been collected.
- Para 17(25) Accounting irregularities-Whether the quotations have been submitted and the funds sourced to undertake the repairs of the house in question.

- Para 19(27) Accounting irregularities-Windhoek Mission-As regards measures taken to address the committee concerns such as funding of Defence attaches in the Missions under a single vote.
- Para 21(29) Accounting irregularities-On progress regarding the recovery of R4,965.00 unaccounted receipt.
- Para 29(37) Non-Repayment of loans, maize purchases-As regards progress made on the claims lodged with the liquidators.
- Para 30(38) Management Programme, fertiliser purchases-Whether the Ministry of Agriculture, Food and Fisheries has submitted detailed information to the committee.
- Para 31(39) Crop and Fertilizer marketing and Financing Revolving Fund-As regards progress made in recovering the outstanding debts.
- Para 32(40) Irregularities in the transportation of maize-On whether the payment vouchers in amounts totalling K498, 087,154 have been traced or the money recovered and the erring officers disciplined.
- Para 33(41) Weaknesses in Accounting for strategic maize reserves-Whether the undelivered maize queried has been recovered from the relevant companies and disciplinary action taken against the officers and money recovered from those who were involved in thefts.
- Para 37(45) Payment of compensation to an individual-Progress made on the matter.
- Para 44(52) Irregular Funding for Roads rehabilitation works, Lundazi and Chama District Councils-As regards progress made on the matters raised.
- Para 45(53) Delays in project completion-Technical and Vocational Teachers Training College, Luanshya-Progress made to recover all the remaining receipts.
- Para 50(58) Irregularities in the maintenance of Bank Account-Progress made on the outstanding issues.
- Para 51(59) Accounting irregularities-On progress made on the issues raised.
- Para 52(60) Dag Hammarskjöld Stadium Reconstruction Fund-Progress made on the matter.
- Para 55(63) Accounting irregularities-Progress on the construction works.

- Para 66(74) Third Party Deposits, Lack of effective supervision over USAID Social Action Funded Projects-As regards disciplinary action taken against the Provincial Commissioner of Works.
- Para 68(76) Third Party Deposits, irregularities in Accounting for Capital Projects Funds, Senga Hill Account-As regards progress made on the matter.
- Para 69(77) Weaknesses in control over the Below-The-Line-Accounts-Progress made on the issues raised.
- Para 70(78) Lack of Control over the use of Road Rehabilitation Funds-Progress on the recovery of the 259 pockets of cement.
- Para 71(79) Irregularities in the procurement, receipt, custody and issue of Foodstuffs and spare parts-Regarding disciplinary action taken against the senior officer who allowed a driver to deal with stores.

RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE WHICH HAVE PARTLY OR HAVE NOT BEEN IMPLEMENTED (The Paragraph in brackets relate to the Auditor-General's Report)

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor-General on the accounts for the financial year ended 31st December 1994.

- Para 6(17B) Revenue Collections without supporting finance receipts-Progress made to trace the missing receipts.
- Para 7(18) Unvouched and Inadequately Vouched expenditure-Progress made on all the outstanding issues.
- Para 8(19) Unretired Special Imprest, under the Intelligence Department of Ministry Head; 77/06 – Progress still to be reported.
- Para 30(40) Inadequate maintenance of records over maize marketing – Progress made on the matter.
- Para 53 (63) Delays on the construction of staff houses – Whether the loss report has been finalised.

Para 54 (64) Irregularities in the purchase and distribution of school mattresses – Whether the sum of SAR 195,102.40 has since been recovered.

ISSUES RELATING TO THE REPORT OF THE COMMITTEE ON THE PARASTATAL BODIES FOR THE FIFTH SESSION OF THE NATIONAL ASSEMBLY ON THE AUDITOR-GENERAL'S REPORT FOR 1993 ON THE ACCOUNTS OF PARASTATAL BODIES.

Para 8(7) – Non-ZIMCO Group of companies – Progress report on the sale of Companies abroad.

Para 10(9) – Privatisation Revenue Account – Progress regarding the reconciliation of the amount of K8 024 560.

Para 11 – Bank Account – Progress made in obtaining clarification regarding non-payments of moneys invested in the defunct Meridian Bank.

Para 12 -National Savings and Credit Bank-Progress regarding the legal status of the Bank.

Para 14 -Lima Bank-Progress on the finalisation of the consultant report on the future of co-operative Bank.

REPORT OF THE COMMITTEE ON PUBLIC INVESTMENT FOR THE FIRST SESSION OF THE EIGHTH NATIONAL ASSEMBLY ON THE AUDITOR-GENERAL'S REPORT FOR 1995 ON THE ACCOUNTS OF PARASTATAL BODIES.

Para 37(8) -Capital of the Bank – Progress regarding Government to fully subscribe the paid up capital of K10 billion in respect of the Central Bank.

Para 42(13) -Accounts for the financial year ended 31 December 1995- Management of the Board-Progress on reviewing of the National Housing Authority Act, section 4 9(1).

Para 75(46) -Capital Structure-As to whether the corporation has effected legal formalities to increase the shares.

Para 100(71) -Capital Structure-As to whether the Board of Directors of ZAMSEED has sourced for a potential investors to buy the unissued shares in a bid to increase the capital of the company.

RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE WHICH HAVE PARTLY OR HAVE NOT BEEN IMPLEMENTED

Para 12(11) Importation of Maize-Carlington Sales (Canada) – As regards progress made to recover the funds.

REPORT OF THE AUDITOR GENERAL ON THE OPERATIONS OF ZESCO LIMITED AND KARIBA NORTH BANK COMPANY LIMITED FOR THE PERIOD 1994 TO 1998.

Para 6(5) Share Capital-as regards progress towards revision of the share capita

Para 13(13) Fraudulent payment of K30,507,888-Progress made on the matter.

Para 14(14) House and Building Material Loans-Progress made on the matter.

Para 15(15) Payment of Terminal Benefits-Progress made on the outstanding amounts owed by the officer.

Para 17(17) Assistance to a Trade Union-Progress made on the matter.

Para 21(21) Transmission of Electricity-As regards progress on the matter.

KARIBA NORTH BANK COMPANY LIMITED

Para 26(26-27)Review of Operations-Progress made on the matter.

Para 27(28) Payment of Gratuity and Fees to Board Members-Progress made on the matter.

Para 28(29) Remuneration of Management Staff-Progress made on the recoveries.

Para 30(31) Overpayment of Responsibility Allowance-Progress made on the matter.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY.

Report of the Auditor-General on the review of the operations of the University of Zambia for the financial years ended 31st December, 1995 and 1996.

Para 8(8) -Review of Operations – Regards progress made on item (i), (iii), (iv), (v) and (vii).

Para 9(9) -Long Term Investment – As regards progress made on the matter.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor General on the Procurement of Goods and Services in the Zambia Army and the Zambia Air Force for the period from 1992 to December 1999.

Para 8-9(4-5) Purchase of 200,000 metres of African Print (Chitenge) – progress report regarding the recovery of the funds (K91,950,600), disciplinary actions instituted and improvement in record keeping in the Zambia Army.

Para 11(7) Purchases of stable belts, leather belts and vehicle stickers – As regards progress made on the matter.

Para 13(9) Procurement of Transport Fleet – Progress made on all the matters.

Para 14(10) Credit Agreement – Progress regarding the conclusion on the transaction.

Para 15(11) Involvement of Private Company in Defence Procurement and other projects – As regards progress made on all the issues.

Para 16(12) Procurement of VIP Presidential Aircraft – progress on the on-going negotiations with regard to the contract.

Para 17(13) Supply of Aircraft refurbishment and training services – progress made on the return of all Aircrafts to Zambia and the formalisation of the contract.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE NINTH NATIONAL ASSEMBLY

Report of the Auditor General on the operations of the Presidential Housing Initiative for the period November 1998 to August 2001.

Para 7(3-5) Management Structure and Control of PHI – On the submission of progress report on how K22,100,000,000 released by Government was accounted for.

Para 9(6.1) Sources of Income – As regards progress made on the recovery of the outstanding balance.

Para 10(6.2) Procurement of Goods and Services – Progress on all the issues.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE EIGHTH NATIONAL ASSEMBLY.

Report of the Auditor General on the Liquidation of Parastatal Organisations.

Para 7(13) Appointment of Liquidators – Progress on the matter

Para 9(15) Executive summary – As regards progress on (a)(i)-(iii) and (d).

Para 15(21) Executive summary – As regards progress on the liquidation report.

Para 16(22) Principal Findings – Progress on items (a), (b)(v),(vi), (c)(i)(ii)(iv)-(vii).

Para 18(24) Appointment of Liquidators – Progress made on item (c).

Para 20(26) Executive summary – Progress made on the matter.

Para 21(27) Principal findings – Progress made on the matters raised.

Para 22(28) Zambia Airways Corporation (in liquidation) – Progress made on the issues raised.

Report of the Auditor-General on the Hosting of the Eleventh International conference on AIDS and Sexually Transmitted Diseases in Africa, Lusaka, Zambia.

Para 9(10) Preparation of Accounts – Regarding progress on the matter.

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